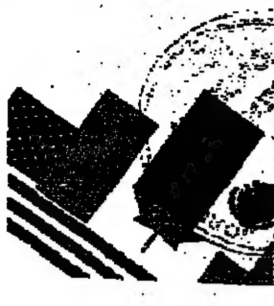

After the Nafta deal
Healthcare, Haiti, Bosnia, budget

A race partly run
Japan's politicians begin to bargain
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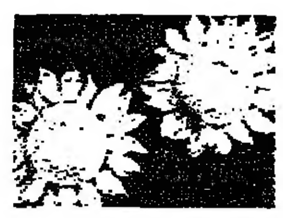
Welfare in Germany
Plenty of problems few solutions
Page 3



TOMORROW'S
Weekend FT
Ten pages of essential luxuries for Christmas

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY NOVEMBER 19 1993 — D8523A

Italy turns down efforts to reach steel industry deal

The rift between Italy and the European Commission over restructuring the west European steel industry deepened when a meeting of European Union industry ministers broke up in disarray. Italian industry minister Paolo Savona, rejected a compromise deal on subsidies and capacity cuts at Ilva, lossmaking state steelmaker, put forward by the Commission.

Senior commissioners warned the impasse would have highly damaging effects on the ailing EU steel industry, and for the EU. Page 18

Hurd puts weight behind EU: British foreign secretary Douglas Hurd will today outline his government's "wholehearted" commitment to the European Union in a move designed to convince anti-Europeans in the Conservative party that the battle over Maastricht has ended. Page 18

Repo rate cut: The Bundesbank's policymaking council ordered a slight cut to 6.25 per cent in the "repo rate" which determines money market interest rates. Page 2

Hosokawa wins backing on reforms: Prime minister Morihiro Hosokawa won parliamentary clearance for Japan's first political reforms since the second world war. Page 18; Decisive push against old system, Page 8

Bosnian aid accord: Leaders of Bosnia's three warring factions signed an accord guaranteeing safe passage of United Nations aid supplies. Convoys were suspended last month. Page 2

Ukraine backs Start-1: Ukraine's parliament ratified the Start-1 disarmament treaty and voted to destroy 42 per cent of the country's 1,656 warheads immediately. Page 3

Groupe Bull chief looks for profit: Jean-Marie Descarpentries, who took over as head of lossmaking French computer group Groupe Bull last month, will today announce plans to restructure the group with the aim of returning it to profit next year. Page 19

Strike hits US carrier: American Airlines flights were disrupted as flight attendants started a strike over changes in working conditions. Page 4

Sony profits drop 53%: Japanese consumer electronics group Sony suffered a 53 per cent decline in interim pre-tax profits to Y17.13bn ($161m) because of weak markets in Japan and Europe. Page 19

Cable & Wireless, UK telecommunications group, reported a 30 per cent rise in interim pre-tax profits to £509m ($758m) helped by a strong performance from Hong Kong Telecom in which it has a 57 per cent stake. Page 19; Lex, Page 18

Ericsson, Swedish telecommunications group, unveiled pre-tax profits of SKr569m ($69m) for the third quarter of 1993, compared with SKr63m in the same 1992 period.

Gaza troops deal: Israel has agreed to limit its military presence in the Gaza Strip to positions inside Jewish settlements there, says PLO negotiator Nabil Sha'ath. Page 9

Drop in UK jobless: UK unemployment fell to 2.85m, the biggest fall for over four years, raising hopes for continuing recovery without a surge of inflation. Page 10

Inmates die in Salvador jail riot: At least 27 prisoners were killed and 30 injured in rioting at San Francisco Gotera prison, El Salvador.

YOUR NEW MONDAY FT

The Financial Times on Monday launches a range of new features and services to open out the week ahead in business and politics, for companies and markets. The new Monday FT will include:

- An FT Guide to the Week Ahead published on the back page of section two
- New columns on global investment trends and economic policy debates, along with special reports on the outlook for bonds, equities and foreign exchange. A page will be devoted to the emerging financial markets of Asia and Latin America.
- The FT Guide to World Currencies will appear on a Monday to provide this comprehensive exchange rate information at the start of the business week
- The first section of the newspaper will carry four new features: a business travel guide, an international people column, a business profile and an international press review
- There will also be a new prize crossword

STOCK MARKET INDICES

FT-SE 100:	3,125.5	(+5.5)
Yield	3.8	
FT-SE Eurotrack 100	1,367.52	(+3.96)
FT-A All-Share	1,539.37	(+0.2%)
Nikkei	18,166.32	(+57.61)
New York: lunchtime		
Dow Jones Ind Ave	3,685.06	(-19.29)
S&P Composite	462.97	(-1.84)

US LUNCHTIME RATES

Federal Funds:	2 15/16%
3-mo Treas Bills: Yld	3.158%
Long Bond	100 3/32
Yield	6.224%

LONDON MONEY

3-mo Interbank	5 17/32%	(5 17/32%)
Liffe long gilt future:	Dec 115 7/8	Dec 115 13/32

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$15.95	(16.16)

Gold

New York Comex (Dec)	$378.7	(377.0)
London	$377.25	(372.0)

STERLING

New York lunchtime:		
$	1.4755	
London:		
$	1.477	(same)
DM	2.5275	(2.5175)
FFr	8.75	(8.725)
SFr	2.2225	(2.21)
Y	158.25	(158)
£ Index	81.0	(80.9)

DOLLAR

New York lunchtime:		
DM	1.7145	
FFr	5.9325	
SFr	1.505	
Y	107.155	
London:		
DM	1.711	(1.705)
FFr	5.925	(5.9075)
SFr	1.505	(1.497)
Y	107.15	(107)
$ Index	66.6	(66.5)
Tokyo close Y 107.00		

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	CC1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.800	Poland	Zl 32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

Jubilant Clinton pledges to liberalise world trade

US president tries to mollify opponents after victory in House of Representatives

By Jurek Martin in Washington

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- Patchwork of opportunity
- Against all the odds Page 17
- Lex Page 18

JUBILANT US president Bill Clinton flew off to his Asian summit in Seattle yesterday on the wings of a famous victory in Congress and promising new initiatives to liberalise word trade.

Approval on Wednesday night by the House of Representatives of the North American Free Trade Agreement was, he declared on the White House lawn, "a long step in the right direction" of more open markets and more vigorous international competition.

The Nafta vote gave the US "the economic, political and moral standing" to make its case, he said, not only with the Asian leaders but also in the final push successfully to conclude a new Uruguay Round of global trade talks. Vital talks under the General Agreement on Tariffs and Trade are to be held next week in Washington between Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, EC commissioner.

The US Senate is expected to approve Nafta next week, as is its Mexican counterpart. Mr Clinton said President Salinas had invited US vice-president Al Gore for the Mexican side of the ratification process.

The new trading bloc, which also includes Canada, is to take effect on January 1.

The House victory, on a vote of 234-200, was far more comfortable than had appeared likely even as the House debated the agreement until late in the evening. The majority was composed of 132 of the 175 Republicans and 102 of the 258 Democrats, with the sole independent voting against.

Before he went to bed, Mr Clinton signed letters of thanks to all who had voted in favour and hoped that the bipartisan spirit that had carried the day could be applied to other great issues facing the US, such as healthcare reform.

But the president also went to great lengths to compliment the opposition and to heal the open wounds in his own Democratic party, especially with organised labour. He promised new initiatives on education and worker retraining, while Mr Gore said the administration was "uncomfortable in being in disagreement with the folks we normally fight along with, side by side".

Trade union leaders, however, were unmollified. The full hierarchy of the AFL-CIO, the umbrella union organisation, held a press conference to express regret at Nafta's passage.

"It has little to do with the national interest," said Mr Lane Kirkland, AFL-CIO president, but was "a secure means of escape" from US laws for US and multinational corporations. Mr Bill Bywater, head of the electricians, warned those Democrats who voted in favour: "We're gonna make sure we get even at the polls." Mr Owen Bieber, of the carworkers, said Senate votes next week would be duly noticed, too. Mr Ross Perot, a loser in the Nafta debate, also threatened retaliation by his independent movement.

Mr Jim Jontz, director of the Citizens' Trade Campaign against Nafta, promised similar scrutiny of a Uruguay Round agreement. "I feel we already won because clearly Nafta could not be sold on its merits and the president had to start dealing to get votes."

Republican leaders were generally pleased with the co-operation with the White House over an accord first negotiated by President George Bush. Several said Nafta would have failed without overwhelming Republican support and that, therefore, the party could no longer be accused of perpetuating "gridlock" in Washington.

But a Congress staff member predicted "serious disagreements" with Mr Clinton on healthcare and spending cuts.

Associated Press

Gatt director-general Peter Sutherland welcomes the Nafta vote

Agreement boosts optimism that a successful conclusion to prolonged talks may be within sight

Trade heads hope for impetus on Uruguay Round

By David Dodwell in Geneva and Lionel Barber in Brussels

TRADE negotiators in Geneva urged yesterday that US Congressional approval for the North American Free Trade Agreement should be used as effectively as possible to secure a successful completion of the Uruguay Round of world trade talks in the next four weeks.

Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, praised President Bill Clinton's success, but noted that the vote in the House of Representatives, by 234 to 200, was "just half of the battle won".

"Nafta and similar enterprises – no less the European Union – cannot themselves thrive in isolation. They are not economically self-sustainable and must be part of a broader world trading system under the aegis of the Gatt," he said.

"The other half of the battle, making the Nafta a genuine positive force in the world economy, must be the conclusion of the Uruguay Round."

The Nafta vote has cast a shadow over Gatt talks for several weeks, tying US negotiators' hands when the time remaining for completing the round has been perilously short, and difficult deadlock-breaking compromises have been urgently needed.

Amid rising optimism that a long-elusive trade-liberalising package is finally within negotiators' grasp, expectations have run high in Geneva that the success of the Nafta vote would free top US and EU trade negotiators meeting in Washington early next week to provide long-awaited impetus.

Mr Sutherland's comments came during a briefing intended to underline trade liberalising moves that have already been provisionally agreed in Uruguay Round negotiations, and to focus on what is at risk if the small number of outstanding differences result in failure.

"What is in the bank is still capable of being lost," he said. "The overall picture is heartening, but there are still significant difficulties in bringing the round to a conclusion. There is a lot there that should stimulate the participants with the knowledge of how much they stand to lose if what has already been painfully achieved is not brought to consummation."

In Brussels, Sir Leon Brittan, EU trade commissioner, also warmly welcomed the House vote in favour of Nafta, saying it would remove a big distraction for the Clinton administration and allow a final drive for agreement in Gatt talks.

However, Sir Leon sounded a note of caution, telling reporters that he needed to look at the "small print" to see what the White House may have offered members of Congress to get their vote and how it might affect Gatt.

With only four weeks remaining to the December 15 deadline for a Gatt deal, Sir Leon is due to hold talks with Mr Mickey Kantor, US trade representative, in Washington next week.

A measure of concern exists that so much remains to be negotiated in the Gatt talks, with so little time remaining. "You have a feeling that each side has spent half of its time calculating how to blame the other in the event of a failure," said one Commission official.

For his part, Mr Sutherland warned that "if what is currently on the table is now lost," then "the threat from unreconcilable disputes will be intense".

Mr Gijs de Vries, a Dutch member of the European Parliament speaking for the body's liberal group, hailed the Nafta vote as a "victory for common sense".

"The only 'sucking sound' Americans will hear is the sound of exports going south," he said, referring to Mr Ross Perot's oft-quoted description of Americans losing their jobs to Mexico as a result of Nafta.

OECD calls for US rate rise to combat inflation

By Michael Prowse in Washington

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- Editorial Comment Page 17

THE US should launch a "pre-emptive strike" against inflation by raising interest rates substantially over the next 12 months, senior officials at the Organisation of Economic Co-operation and Development have urged.

The OECD believes the Federal Reserve should begin tightening monetary policy before Christmas and raise short-term rates to almost 5 per cent by the end of next year. The key federal funds rate has been 3 per cent, abnormally low by historical standards, since September last year.

Officials for the release of the latest OECD report on the US economy yesterday called for the increase. The organisation has a lower profile in the US than Europe and its call for rate rises is unlikely to embarrass the Clinton administration. But its remarks come at a delicate time for the Fed and financial markets.

There are signs that US economic growth is accelerating and US bond yields recently moved back above 6 per cent on fears that a faster expansion would put upward pressure on inflation. Fed policymakers met this week to consider whether any adjustment of policy was required.

The White House and congressional leaders are likely to oppose a significant tightening of monetary policy. They regard the economic recovery as sluggish and worry about the lack of jobs. Such worries may be heightened in the new year when the Labour Department revises its method of estimating unemployment. This could boost the official unemployment rate by about 0.5 percentage points to over 7 per cent.

The OECD, however, believes an increase in US rates is needed to prevent a resurgence of inflation in 1995 and 1996. Because monetary policy takes effect only with a lag, much of the tightening needs to occur in the first half of next year, while there is still some slack in the economy.

"The fundamental message we wish to transmit is that there will have to be a tightening of non-trivial proportions," an OECD official said.

The organisation regards the current level of short-term interest rates – roughly zero in real terms – as a highly stimulative policy that is "clearly unsustainable" in the medium-term. A neutral monetary policy would require rates of 4.25 per cent or more, officials said.

Many US forecasters expect the Fed to begin tightening monetary policy next year. Few expect – or recommend – as swift or as large an increase in rates as the OECD.

If and when the Fed decides to raise US interest rates, the impact will be felt globally. The dollar will probably rise sharply and the recent bull market in bond and share markets might be sent into reverse.

The text of the OECD report, which would have required the Clinton administration's approval, uses more reserved language, arguing that "an early monetary tightening would be called for if inflation has indeed bottomed out". The report predicts that short-term rates will rise before the end of this year and will average 4.5 per cent in the second half of next year.

Volvo backs Renault merger

By Hugh Carnegy in Stockholm and John Ridding in Paris

VOLVO issued a strong restatement yesterday of its commitment to merge its car and truck operations with state-owned Renault of France.

The Swedish motor group said "further clarification" was expected from Paris to help it overcome a shareholder revolt on the deal.

"It is our conviction that the transaction with Renault is industrially and commercially correct and should be implemented," said Mr Sören Gyll, chief executive, after the first full board meeting at Volvo since the company was forced to postpone a shareholder vote on the merger because of the strength of opposition.

Swedish institutions have demanded that Volvo win stronger commitments from the French government on the timetable for the privatisation of Renault and on excluding Volvo from the terms of a golden share the state intends to retain as a way of blocking any hostile takeover of the merged company.

"Further clarification is expected from the French government," Volvo said. "Supplementary information concerning these and other matters of importance to the stock market will be presented in the near future."

The French government has ruled out changing the terms of the merger agreement.

Volvo officials made clear that they were determined to press ahead with the rescheduled shareholders' meeting on December 7.

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CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Bundesbank sends out mixed signal

By David Waller in Frankfurt

THE policy-making council of the Bundesbank teased the financial markets yesterday by unexpectedly fixing the "repo rate" – the rate which determines money market interest rates – at 6.25 per cent for next week, fractionally lower than the 6.29 interest rate set in money market operations earlier this week.

The small reduction in the repo rate coincided with the decision to leave the official discount and Lombard rates unchanged at 5.75 and 6.75 per cent respectively, thus providing mixed signals about the timing and scale of future rate cuts.

Markets are expecting money supply and inflation data due next week to provide the Bundesbank with grounds for further cuts before the end of the year.

The Bundesbank's move to fix the repo rate contrasts with the more usual procedure by which interest rates are set by bids from banks via a tender procedure. The fixing usually indicates the Bundesbank's desire to give a definite steer to money market developments. In recent months this has served to push rates decisively downwards following cuts in the discount rate.

Yesterday's announcement provided ambivalent signals. It indicated interest rates were still on the way down, although the cut was minuscule, following a fall of 9 basis points from 6.35 per cent in the tender operation earlier this week. Some economists interpreted the move as an indication that the pace of further cuts is set to slow down.

The council meets on two more occasions this year. Future cuts will depend on the development of money supply. Economists believe M3 broad money growth will slow in October to 6.6 per cent, close to the Bundesbank's 4.5-6.5 per cent target range for 1993.

SPD's leader wins key support

By Quentin Peel in Bonn

MR Rudolf Scharping, the youthful leader of Germany's opposition Social Democrats (SPD), yesterday won vital support from his party conference for his middle-of-the-road platform to regain power in next year's national elections.

After a debate lasting into the early hours of the morning, he persuaded his wavering supporters in the SPD to back a resolution to allow electronic eavesdropping of private homes in the campaign against organised crime.

He won clear endorsement of the use of German troops in UN peacekeeping operations – although equally clear rejection of any use of the military in combat operations outside the Nato area.

He also gained a big majority for a tough economic programme, focused on the fight against unemployment, but stressing heavily the need for strict control of state spending. The three vital resolutions, on the economy, internal security and foreign policy, represented a clear move by Mr Scharping to present his party as a pragmatic alternative to the ruling conservative-liberal coalition headed by Chancellor Helmut Kohl.

Mr Scharping had himself argued strongly in favour of tougher measures to combat organised crime.

He did so in the knowledge that concern over law and order stands second only to unemployment in the worries affecting German voters.

Reuter

SPD leader Rudolf Scharping (left) being congratulated yesterday by the party's economics spokesman Oskar Lafontaine

German car group could save up to DM1bn

Opel signs cost-cut deal

By David Waller in Frankfurt

UNIONS and management at Adam Opel, the German subsidiary of General Motors, yesterday signed a far-reaching agreement designed to reduce the company's wage costs dramatically over the next four years.

Mr David Herman, Opel's chief executive, put no figure on savings although it is likely costs will fall by between DM600m (£238m) and DM1bn over the period. The agreement, which will be studied carefully by other companies seeking ways to reduce wage costs without large-scale redundancies, is Opel's response to a steep decline in the German car market.

"It is a way of introducing long-term cost-savings without shock therapy," Mr Herman said yesterday, alluding in disparaging terms to Volkswagen's plans to cut costs by introducing a four-day week coupled with reductions in wages and fringe benefits.

The Opel agreement has four central points:

- Pay rises will be kept to two-thirds of the industry-wide settlement if the pay-rise is more than 2 per cent. Assuming industry-wide pay increases of 3.6 per cent on average between 1994-97, Opel is likely to save DM500m through this measure.
- The 13th month of income will be partially subject to productivity increases.
- Employers and employees will together try to cut absenteeism from 7.5 per cent to 6 per cent, the European average.
- In return, Opel has postponed a decision to contract out work and has also guaranteed to build the successor to its Vectra model at its Rüsselsheim factory.

French resist state sales

By David Buchan in Paris

MORE than 10,000 French public sector workers demonstrated in Paris yesterday against plans by Mr Edouard Balladur's government's plans to privatise their companies.

Leading the protest march from the Eiffel Tower to the prime minister's office were workers from Air France, where the recent strike forced the government to back away from an austerity plan, and from other state-owned companies slated for eventual sale. These include Renault, the motor group, Bull which makes computers, Giat Industries, a defence company, and Seita, the state-owned tobacco concern.

Air France's new chairman, Mr Christian Blanc, warned this week that full-year losses for 1993 could be as high as FFr7bn ($1.19bn), compared with earlier forecasts of more than FFr5bn.

An equally large number of workers from Aérospatiale demonstrated in Toulouse, the base of the state-owned aerospace group.

Trade union leaders had called the protest after state-owned companies in September announced planned redundancies of up to 15,000 workers in an effort to make themselves more attractive for sale.

Employers remain hostile to work-sharing idea

Companies and economists have cast doubt on the latest plan to tackle rising unemployment, writes David Goodhart

THE renewed interest among European governments in work-sharing as a means of combating unemployment has been greeted with scepticism, if not downright hostility, by many of Europe's large employers.

"It is tinkering with the symptoms, not dealing with the disease itself," says Mr Zygmunt Tyszkiewicz, head of the European employers' body, UNICE.

Such scepticism is shared by many labour economists, but it is unlikely to stop momentum building up behind the idea. Interest in work-sharing tends to revive when unemployment is high, but has usually been confined to parties of the left.

But this time there are signs of support for work-sharing from centre-right governments in western Europe – France and Germany in particular – and, crucially, a tentative readiness on the part of workers to countenance pay cuts in line with cuts in working time.

One of Europe's largest companies, Volkswagen, for example, is currently discussing with its employees plans to cut working time, and pay, by a fifth to avoid reducing its workforce from 100,000 to 70,000 by 1995.

VW is not necessarily a typical employer: the voice of labour is perhaps stronger at the company than elsewhere because of the strong three-way relationship between VW, IG Metall, the German engineering union, and the Social Democrat-led state government of Lower Saxony, where the company is based.

But the VW case illustrates that work-sharing takes many different, and often familiar, forms. The VW plan is a dramatic form of short-time working introduced in response to a slump in demand and designed to prevent the loss of jobs rather than to create new ones.

Most large manufacturing companies in Europe occasionally revert to short-time working when orders fall.

Placing employees on short time is usually cheaper than lay-offs because it is often subsidised by the state and there is no cost in terms of lost skills.

Another important way in which individual working time has been reduced and employment spread among more people is through part-time work, which has grown rapidly, especially in Britain and the Netherlands, in the 1970s and 1980s. But employers appear to dislike the idea, being promoted by some governments, of reducing the working time of full-time workers, by, for example, cutting one day per week, in order to create more jobs. The French senate, for example, has recently approved proposals to give companies a 40 per cent cut in social charges if they move staff to a four-day week and increase their payroll by at least 10 per cent.

"Of course we all worry about unemployment," says one British employer, "But it is not our function to create jobs. We must concentrate on being as competitive as possible, and these proposals will make competitiveness more difficult."

Mr Peter Reid, of the British Engineering Employers' Federation, says the idea of work-sharing cannot be dismissed out of hand, but he is sceptical about whether unions will agree to corresponding cuts in pay. Mr Steve Palmer, of the Confederation of British Industry, also says that even if workers did accept pay cuts the result would not be neutral for unit labour costs. "There are all sorts of hidden head-count costs from having a larger workforce doing the same amount of work – the extra training, the cost of recruitment, and so on," he says.

Mr Tyszkiewicz of UNICE points out that employers would have to buy more equipment if they took on more workers on a shorter week.

Supporters of shorter working hours acknowledge some of these difficulties but argue that these extra costs would be a legitimate subject of state subsidy, especially if the state is going to save on unemployment benefit. Ms Pam Meadows, director of the Policy Studies Institute in London, says the state could pay a one-off subsidy, for example, for taking on an extra person.

Supporters also claim that productivity would improve if people were working only four days per week. Mr Tyszkiewicz disagrees, saying he believes productivity would actually suffer.

It is easier for governments to encourage work-sharing in the public sector than in the private sector. The government of the Netherlands has done so by decreeing that no new employee in the public sector will work more than 32 hours per week.

European unions may not like the choice, but work-sharing could be an important test of their commitment to the principle of solidarity.

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Bosnians agree safe passage for aid

By Frances Williams in Geneva

POLITICAL leaders of the three warring factions in Bosnia yesterday signed an accord guaranteeing the safe passage of United Nations humanitarian aid supplies on which more than 3m people depend for survival.

The signing followed a meeting called by Mrs Sadako Ogata, UN High Commissioner for Refugees, which her spokeswoman described as a "last-ditch" effort to unblock the UN aid effort in Bosnia. The relief operation has been increasingly paralysed by interference from the militias of all three sides, including their deliberate targeting of UN aid workers.

Mindful of many broken promises in the past, Mrs Ogata said at the start of the meeting that she was "not asking for new promises, but for deeds". The accord was signed by Mr Haris Silajdzic, the Bosnian prime minister, Mr Radovan Karadzic, the Bosnian Serb leader, and Mr Mate Boban, for the Bosnian Croats.

Ms Sylvana Foa, Mrs Ogata's spokeswoman, said the high commissioner would immediately recommend to the UN secretary-general a resumption of aid deliveries in central Bosnia. These were suspended nearly four weeks ago after a Danish driver was killed and nine other UN personnel wounded in what seems to have been a deliberate attack by Bosnian Moslem forces. However, all sides have blocked aid convoys, sometimes for days on end, or set conditions for allowing them to pass, including the diverting of supplies to their own people.

Mrs Ogata told the Bosnian leaders that they alone bore the responsibility for the suffering in their country. She called for their full co-operation in getting humanitarian aid supplies through to those at risk of death from cold and hunger.

"Your responsibility in preventing further agony is inescapable. If you stop fighting, we can help all communities and look to the future. But if you decide to continue fighting, to continue blocking food, clothing and fuel, and to continue targeting humanitarian workers, then the best efforts of the humanitarian organisations cannot avert further catastrophe," she said.

At minimum, Mrs Ogata said, there should be no fighting along key supply routes in Bosnia when UN convoys passed. She also wanted guarantees that humanitarian aid would not be denied for military or political reasons, and that UNHCR would be able to bring in clothing, shelter material and fuel to prevent death from cold.

Czechs get more time for shares

THE Czech Republic has extended the registration deadline for a voucher privatisation which aims to sell shares in up to 770 companies with a book value of Kcs145bn (£3.3bn), writes Patrick Blum in Vienna.

Companies now have until the end of December to register for privatisation, and citizens until December 8 to register for voucher books, compared with an original deadline of December 1 for both.

Mr Vaclav Klaus, prime minister, said the main reason for the extension was to avoid companies having to close their annual accounts twice in one month to provide the full accounts necessary for registration.

Bonn seeks to patch up an ailing social state

Unification and recession have brought matters to a head, writes **Quentin Peel** in Bonn

Three weeks ago, more than 100,000 building workers descended on Bonn to protest against the loss of a crucial social benefit, in the largest mass trade union protest in the city for more than a decade.

They were up in arms over the pending abolition of their "bad weather money", a state subsidy given to the building industry to ensure workers are not simply sent home when snow falls in winter.

A few days before, it was the turn of the steelworkers in the Ruhr. They took to the streets over tough new rules on unemployment benefit being introduced by Bonn.

In future, earnings-related unemployment benefits (at around two-thirds of previous income) will not be available for the rest of one's normal working life. They will be restricted to a maximum four years' duration; then jobless workers will have to exist on subsistence-level social assistance.

Both demonstrations revealed the tide of anger sweeping the German labour movement over what unions see as the demolition of their prized welfare state. They also underlined the remarkable generosity of the German system in recent years, and one of the reasons why it is now under unprecedented pressure.

For 20 years, the crisis of the social system has been under debate. The demographic pressures of an ageing population, combined with a falling birth rate and shrinking workforce, have been clear. Today, one in five of the population is 20 or younger, and one in five is 60 or older. By the year 2000, the over-60s will total one in four. By 2030, 38 per cent will be over 60, and only 16 per cent of the population under 20.

In less than 30 years, a declining working population will have to finance the social costs of roughly the same number of people who are either too young or too old to work.

Two developments have now brought matters to a head. Not only the conservatives and liberals in the ruling coalition, but also the social democrats in opposition, are looking for ways to reform the social state.

The first change was unification. Suddenly, almost 17m potential new claimants have been brought into the social state in east Germany, expecting full benefits, but only now beginning to make their contributions. Total social spending rocketed from DM744bn (£295bn) in 1990 to DM1,001bn (£397bn) in 1992 thanks to huge new demands on the pensions and unemployment funds.

Second has come the sharpest recession since the war, and with it new levels of unemployment in both halves of the country, forecast to reach more than 4m next year, or over 10 per cent. That has reduced social insurance contributions just as the costs shoot up.

A third factor has also served to concentrate the minds of the political establishment on the financing of the welfare state: the campaign to introduce a new pillar in the social system, called nursing care insurance.

The scheme is intended to provide guaranteed residential care for some 1.65m old and handicapped people needing constant nursing care, at a cost of some DM13bn a year. It is supposed to stand alongside the existing pillars: pensions, health care, and unemployment and accident insurance.

Chancellor Helmut Kohl and his labour minister, Mr Norbert Blüm, have staked their political reputations on getting the scheme made law before next October's elections. It is, in a way, a defence against the charge that they are seeking to dismantle the welfare state.

Everyone agrees that such a system is desirable. But practically no one can agree on how to finance the costs, which seem certain to soar in line with the demographic trends.

It has focused attention precisely on the way in which social welfare is paid for – through employers' and employees' contributions, not through the central exchequer.

The result of this is that rising welfare costs are reflected instantly in rising labour costs, and thus in the fraught question of German competitiveness on the world market. Combined social insurance costs have rise from 26.5 per cent of gross wages in 1970, to a forecast 40.2 per cent next year (assuming the 1 per cent nursing care insurance premium is introduced).

The entire business community is up in arms over those rising "ancillary costs" of labour, and in particular over the plan to impose the further 1 per cent for nursing care next year. As a result, the government has promised to find some way of compensating them for the extra cost.

The alternatives – either to abolish two of the 10 national holidays, or to cut holiday pay by 20 per cent – have in turn infuriated the labour movement. Mr Kohl cannot win.

Yet the unions and the Social Democrats agree the system's financing needs changing. They say that because it is based on direct contributions, only registered workers – excluding the self-employed and public sector workers – are bearing the full cost of unemployment, retraining and job creation in east Germany. The answer, they believe, is to switch that burden to the taxpayer.

It would be more fair and would remove the immediate visible pressure on wage costs. The SPD proposes that the tax burden should be borne by the highest income-earners, and possibly by a wealth tax.

On the other hand, the contributions-based system means that workers and employers are acutely conscious of the costs of the social state, and therefore exert political pressure to keep it under control. Shifting part of the burden to taxation would not bring the real costs of the system down.

Mr Johann Eekhoff, state secretary in the economics ministry, argues that it is essential to extend working lives, and counter the trend to early retirement. "We need more income for the social security system," he says. "That need not come from higher contributions, if we can reverse the current trend, and actually extend normal working lives."

He also argues in favour of a longer working week, and a restriction on the normal time spent in higher education: the average German university graduate is 29.

But at a time of rising structural unemployment, those are solutions bitterly opposed by the labour movement, which wants working time cut to create more jobs. Employers are also keen to use early retirement as a relatively painless way to reduce workforces.

Meanwhile, the government is seeking to cap its social spending commitments – for example by a 3 percentage point cut in unemployment benefits, abolishing the "bad weather money" and putting a time-limit on earnings-related benefits – in a small way, without tackling the underlying challenge.

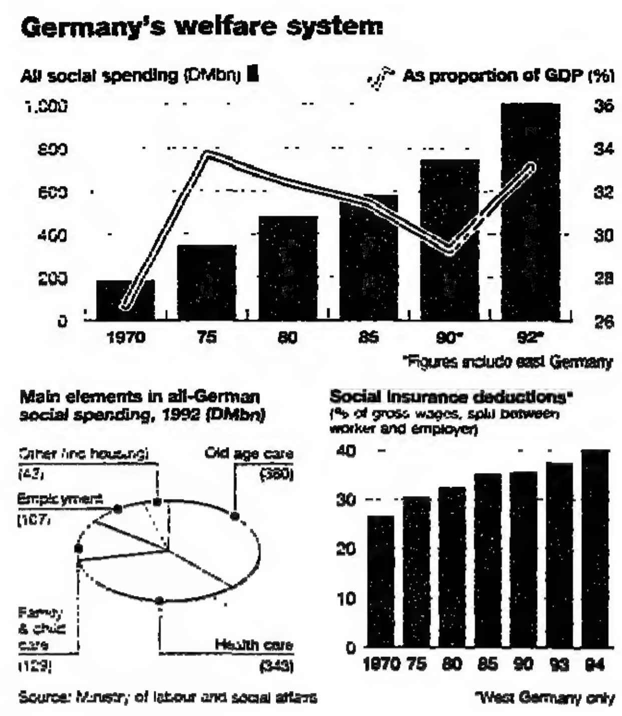
It did the same with the package of health reforms introduced last January, restricting benefits in the short term, but not changing the open-ended structure of a system whose costs are geared to rise inexorably with an ageing population.

So far, the problems in the social state have been all too clearly identified. Long-term solutions are in desperately short supply.

This is the fifth article on welfare states around the world. Previous articles appeared on October 25, November 3, 8, 17


Ulrike Preuss

Run-down housing in east Germany. Unification with the east has brought almost 17m potential new claimants expecting full benefits into the German social state



Source: Ministry of labour and social affairs

NEWS IN BRIEF

Romanian demo demands reform

SOME 40,000 Romanian union members yesterday marched through Bucharest demanding the government speed up market-led reforms or resign, writes Virginia Marsh from Bucharest.

The march, organised by the CNSLR-Fratia confederation, which represents a third of the workforce, was one of the largest such demonstrations since the overthrow of the Ceausescu regime in 1989.

An 11-point statement demanded that the government – a left-wing minority which includes many senior former communists – begin real privatisation and restructuring of the state sector; invest in public works and infrastructure projects; take concrete steps to fight corruption; develop a better social security system; and establish the minimum wage at 60 per cent of the average wage.

Brussels opens consumer debate

The European Commission yesterday launched a pan-European debate on how to settle serious consumer complaints about goods and services bought from other EU member states, writes Andrew Hill from Brussels.

Mrs Christiane Scrivener, consumer affairs commissioner, said legal and judicial barriers impeding the growth of cross-border shopping had to be broken down. "The confidence of consumers is an essential condition for the success of the single market," she said, launching a discussion document on improving consumer "access to justice" in the single market.

Cragnotti may surrender soon

Mr Sergio Cragnotti, the former Ferruzzi group executive against whom Milan magistrates issued an arrest warrant this week, may give himself up to police shortly, according to his defence lawyer, writes Haig Simonian from Milan.

The warrant against Mr Cragnotti, who left Ferruzzi in 1990 to set up his own merchant banking group, is part of a new sweep against suspects, including Mr Enrico Braggiotti, the former chairman of Italy's prestigious Banca Commerciale Italiana. Both are being sought in investigations into the affairs of the troubled Ferruzzi group. Mr Cragnotti was a close aide to Mr Raul Gardini, the former Ferruzzi boss who shot himself last July. Mr Braggiotti his main bankers.

Ukraine ratifies nuclear arms reduction treaty

By Jill Barshay in Kiev

THE Ukrainian parliament yesterday ratified the strategic arms reduction treaty (Start-1), but stopped short of approving President Leonid Kravchuk's promise to become a non-nuclear state.

In closed session, deputies voted 254-9 to destroy 42 per cent of the country's 1,656 warheads immediately, but to dismantle the rest of the weapons "gradually" after certain conditions had been met.

Parliament did not set a time-frame for total disarmament.

Ukraine is looking for $2.8bn in western aid for dismantlement, western security guarantees and financial compensation for the short-range tactical weapons it transferred to Russia last year.

On Wednesday, Mr Kravchuk stressed the need to ratify the nuclear arms treaty – to fulfil his October assurances to Mr Warren Christopher, US secretary of state – ahead of his forthcoming visit to Washington.

Ukraine is the world's third largest nuclear power with 176 inherited long-range strategic weapons, a larger arsenal than those of France, China and the UK combined.

Earlier yesterday, Ukrainian deputies adopted a Soviet-style election law, which is likely to favour the Communist majority in voting next March.

After weeks of contentious debate, insults and scuffles on the floor, parliament approved the right of influential labour collectives to place their factory bosses on the ballot and rejected a plan to reserve a portion of the seats for political parties.

Moderates and liberals denounced the law as another throw-back to the Soviet era.

Inflation still enemy of US economy, says OECD

Report views policy today as stimulative rather than neutral, even as it forecasts moderate growth, writes Michael Prowse

THE Organisation for Economic Co-operation and Development's advocacy of higher US interest rates may seem surprising given its relative optimism about the US inflation outlook and its projection of growth, moderate by the standards of past business cycles.

The Paris-based research body of the industrialised countries is forecasting a slight decline in US consumer price inflation to 2.7 per cent next year against 2.8 per cent this year. Gross domestic product growth, meanwhile, is expected to accelerate slightly, to 3.0 per cent against 2.8 per cent this year. This would reduce the jobless rate (on the present definition) to 6.4 per cent by the end of next year, high enough by most economists' reckoning to sustain downward pressure on wage inflation.

Had the OECD been using the US labor department's new series for unemployment, however, it might have forecast a jobless rate of close to 7 per cent by the end of 1994.

Many economists will argue that such an outlook does not warrant more than a light touch on the monetary brakes. Yet OECD officials say the Federal Reserve should raise short-term interest rates from 3 per cent today to close to 5 per cent by the end of next year. Much of the increase, moreover, should occur in the first half of next year.

The OECD starts from the assumption that inflation of about 3 per cent is too high. Mr Alan Greenspan, the Federal Reserve chairman, is taken at his word when he says he wants to reduce inflation to the point where it no longer influences business decisions. That, argues the OECD, means a rate of about 2 per cent. Reducing inflation significantly while a business upswing is under way requires a significant tightening of monetary policy.

OECD officials argue that US policy today is stimulative rather than neutral. They estimate that inflation-adjusted short-term interest rates have averaged about 1.25 per cent since 1960. A neutral monetary policy would thus require short-term rates of about 4.25 per cent rather than 3 per cent. The issue is thus when to "rein in the stimulus".

Then there is the problem of policy lags. The US needs to raise interest rates, argues the OECD, not to fight inflation next year, but to ensure that it does not get out of hand in 1995 and 1996. The longer the Fed postpones a policy adjustment the larger will be the required increase in rates.

Economists at the OECD argue that if short-term rates are raised to about 5 per cent by the end of 1994 and held there for a year, no further tightening would be needed. The peak of interest rates in this cycle would be a relatively benign 5 per cent, compared with about 9 per cent in the late 1980s. A reduction in rates might be feasible in 1996 – which would be politically convenient as that is an election year.

The OECD's overall assessment of US trends is positive. It notes that projections of 3 per cent growth and only a modest decline in the jobless rate will strike many Americans as disappointing. But "it is actually rather satisfactory, given the weakness of export markets and the ongoing structural adjustments that must be faced . . .".

It expects a cyclical increase in the US current account deficit, from 1.1 per cent of GDP in 1992 to 2 per cent in 1994, but does not view this with alarm because it reflects faster growth of demand in the US than elsewhere. Despite the bigger deficit, "the very favourable cost position of US manufacturers ought to boost the US share of export markets".

The OECD praises the Clinton administration's efforts to reduce the budget deficit, but it warns that the big increase in tax rates on high earners may raise less revenue than expected. And it notes that the ratio of debt to GDP will continue to rise. In 1997, when the economy is expected to be at full employment, the deficit will be "disappointingly large, at over 2¼ per cent of GDP".

In a lengthy assessment of US productivity trends, the OECD concludes that the US is still easily the world's most productive economy. But it warns that "the US productivity standard is likely to be surpassed in the next decade or so by a number of countries" because most other industrial economies are saving and investing more of national income than the US.

The OECD claims there is no convincing evidence as yet that the recent wave of corporate restructuring has significantly raised the US trend rate of productivity. And it warns that "growing skill-based disparities in employment and earnings have the makings of a major social problem".

US Economic Outlook
(% change in volume from previous period, seasonally adjusted at annual rates - 1987 prices)

	1992	1993	1994	1993 I	1993 II	1994 I	1994 II
Private consumption	2.6	3.2	2.8	2.6	3.5	2.6	2.6
Government consumption	-0.1	-0.6	-0.3	-2.6	1.4	-0.9	-0.7
Gross fixed investment	6.2	9.5	9.2	11.0	7.1	10.0	9.7
of which:							
Residential	16.3	7.4	8.6	5.4	5.5	10.0	8.8
Non-residential	2.9	10.4	9.4	13.2	7.7	10.0	10.0
Final domestic demand	2.5	3.4	3.2	2.9	3.7	3.1	3.1
Stockbuilding[1]	0.3	0.2	0.1	0.5	-0.3	0.3	0
Total domestic demand	2.9	3.6	3.3	3.3	3.4	3.4	3.1
Exports of goods and services	6.4	3.1	4.9	1.8	3.4	5.1	5.9
Imports of goods and services	8.7	9.3	7.3	10.5	6.3	7.7	7.5
GDP at constant prices	2.6	2.8	3.0	2.3	3.0	3.0	2.9
GDP at current prices	5.5	5.6	5.4	5.5	5.1	5.5	5.3
Memorandum items							
Private consumption deflator	3.3	2.8	2.7	3.1	2.2	2.9	2.8
Unemployment rate	7.4	6.8	6.5	7.0	6.7	6.6	6.4
Three-month Treasury bill rate	3.4	3.0	4.1	3.0	3.0	3.7	4.5
Ten-year Treasury note rate	7.0	5.9	5.5	6.1	5.6	5.5	5.6
Net lending of general government							
$bn	-269	-244	-195				
Per cent of GDP	-4.5	-3.8	-2.9				
Current account balance							
$bn	-66	-107	-135				
Per cent of GDP	-1.1	-1.7	-2.0				

1. The yearly and half-yearly rates of change refer to changes expressed as a percentage of GDP in the previous period. Source: OECD estimates

Strike disrupts American Airlines

By Richard Tomkins in New York

FLIGHTS operated by American Airlines, the second biggest US carrier, were severely disrupted yesterday as the airline's flight attendants started an 11-day strike over changes in working conditions.

The company struggled to keep services running with a combination of non-striking attendants and employees seconded from other duties, but many flights were cancelled or delayed. Other carriers undertook to take passengers to their destinations.

The flight attendants' union, the Association of Professional Flight Attendants, has called out its 21,000 members at American Airlines following the breakdown of talks on new labour contracts.

American Airlines is seeking to cut costs by reducing staffing levels on some flights and changing the attendants' holiday and pension arrangements.

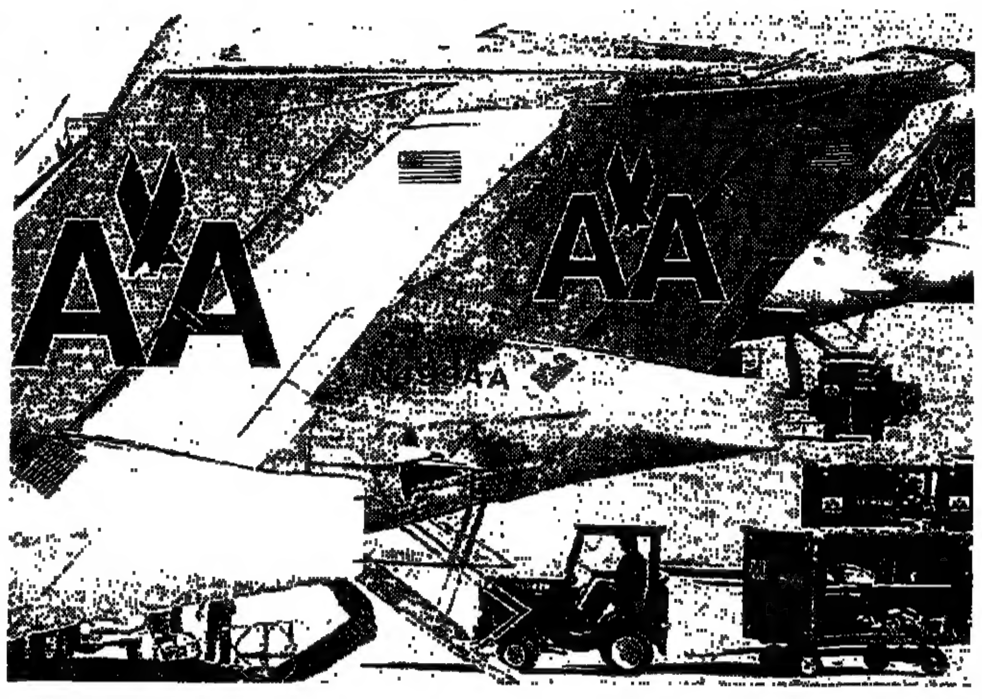
In return, it is increasing the attendants' pay by amounts averaging 7.8 per cent a year for the next four years. The flight attendants' union says the changes in conditions are unacceptable.

American Airlines believes it can ride out the strike by supplementing non-striking attendants with management and clerical grades who will serve drinks and meals.

It says employees failing to cross the picket lines will lose their jobs.

The dispute is casting a cloud over attempts by the beleaguered US airline industry to restore profitability by securing employees' agreement to cuts in labour costs.

All the large carriers are under pressure to change working practices because of the entry into the domestic market of rapidly-expanding carriers like Southwest Airlines which operate at far higher levels of productivity.



Ground crews service American Airlines in Texas as management and union continue talks Reuter

World Bank economists give warning on Brazil

By Stephen Fidler, Latin America Editor

INSTABILITY in Brazil threatens the deregulation of the economy achieved since 1990, two World Bank economists warn in a report published today. The report, The State and Private Sector in Brazil, by Geoffrey Shepherd and Paul Holden, argues that experience in other countries suggests microeconomic reforms rarely survive for long in unstable conditions.

"If instability remains at current levels or worsens, the deregulation achieved since 1990 will be threatened," it says. Inflation in Brazil is running at about 35 per cent a month and mostly above an annual 800 per cent since 1987.

The economists point to dangers of using the exchange rate as an inflation-fighting tool. "The danger is that in these circumstances, governments may lower the cost of foreign exchange to cheapen imports and provide some short-term inflation relief."

This could lead to a balance of payments deficit and consequent import controls to preserve foreign exchange reserves. Instability would make it difficult for companies to restructure to compete with new imports. Reform in this context would therefore be viewed as a failure.

Brazil's stock market has risen this week on reports that the government would create a new inflation index, to be adjusted in line with the exchange rate. Such an index, to replace existing indexes for taxation, public sector tariff and interest rate purposes, would be interpreted as a first step to some kind of exchange-rate anchor.

The report, to be presented to a conference organised by the World Bank in São Paulo today, views the prospects for stabilising the economy as poor, in the short-term at least, because of political uncertainty.

"Many forces in society, including the banks now have an interest vested in the continuation of inflation," it adds. A reduction of inflation will "threaten the solvency of some banks". In the state sector, many banks are in practice already insolvent and kept alive by central bank credit.

The report concludes that economic instability, and in particular the repeated attempts since 1986 to tackle inflation through shock programmes, is severely impeding the private sector, which none the less is among the largest and most diversified in any developing country.

Brazil's informal sector accounts for some 35 per cent of GDP and over 60 per of employment.

the very least Russia is likely to need World Bank help if it is to proceed.
In the Ukraine, unable and

the WANO governing board and deputy general manager of Electricité de France, told the

fuels and other ... which the nuclear industry has little control.

Salinas sees his big gamble vindicated

By Damian Fraser in Mexico City

NAFTA

PRESIDENT Carlos Salinas's huge gamble in embracing the North American Free Trade Agreement more than three years ago has been vindicated by the decision of the US House of Representatives to support the agreement, but the costs of ratification have been higher than he could have ever have imagined.

The agreement – still to be ratified by the US and Mexican Senate but certain to be passed by both – is widely considered the most important economic and foreign policy initiative taken by Mr Salinas in his five-year administration, and possibly by any Mexican president in decades.

The pact formally reverses generations of Mexican nationalism, and would in all likelihood lock in the pro-market economic reforms of the Salinas government for the fore seeable future.

"It is a turning point for Mexico," says Lorenzo Zambrano, the chief executive of Cemex, the giant Mexican cement company. "It guarantees the change from a closed protected economy to an open, competitive one."

Other Mexicans see the treaty in almost metaphysical terms. "Nafta buries the Mexican revolution," says Mr Homero Aridjis, a poet and ecologist. "It is the end of an epoch and a new economic revolution will start."

The agreement's approval would come as a personal boon to the president, who had staked much of his personal prestige on the treaty. It should also make next year's presidential election easier for Mexico's ruling party, from which Mr Salinas is prevented from standing.

Rejection of the treaty would have played into the hands of the nationalist left, which has long criticised Mr Salinas' zeal in embracing the US and free trade in one fell swoop.

The accord's passage is expected to have some short term economic benefits. "This is good news for the economy," said Mr Timothy Heyman, head of Baring Securities in Mexico City. "It will increase investment, lower interest rates, and raise growth."

Nevertheless, despite the short-term optimism, few believe competition with the US will be easy. Mexican wages costs are about a fifth lower than the US, but productivity is much less.

Many Mexican companies are already finding it tough to survive with average tariffs of more than 10 per cent. Some sectors, such as agriculture, are now largely closed to imports, but will be opened up under the agreement, and are expected to suffer.

While the treaty should raise productivity and draw investment, inefficient businesses will likely fail. The process of industrial restructuring, which has been going on since Mexico joined Gatt in 1986, has already helped push unemployment up, and cut economic growth to an expected 1.1 per cent this year.

The battle for Nafta's ratification has also been politically costly for Mexico's government, which has, for example, made last-minute concessions in sectors such as agriculture that it vowed not to make.

The constant attacks on Mexico's authoritarian political system, abject poverty and corruption by US critics of Nafta have hurt the ruling party and Mr Salinas.

In trying to persuade the US to support Nafta, Mr Salinas has given in to US pressure on one issue after another – on entry of Chinese or Cuban immigrants to Mexico, the results of local elections, and future increases in the country's minimum wage.

But Nafta's passage should help Mexico in its quest to join the Organisation for Economic Development and Co-operation. By removing the cloud of uncertainty over the economy, the agreement should accelerate the process of Mexico gaining investment-grade status on its debt, a long-sought goal that would truly put travails of the debt crisis of the 1980s behind it.

Reuter

HAMMERING THE POINT: President Clinton tells journalists and supporters after Congress passed Nafta that its passage was a "defining moment" that would help America shape the 21st century

Clinton got his backing at a bargain price

The administration won the support it needed in congress for Nafta without tying its trade negotiating hands, writes Nancy Dunne

IT WAS a deal the president could not refuse: support for his tax programme from the powerful chairman of the Senate finance committee in exchange for approval of a sugar price support scheme.

That was the bargain made in 1981 by President Ronald Reagan, the proclaimed free trader, with Senator Russell Long of Louisiana.

The effects are still being felt. The tax cut added billions to the US budget deficit and the sugar programme curbed developing country exports to the world's most lucrative sugar market.

The deals cut by the administration of President Bill Clinton to get House approval for the North American Free Trade Agreement pale in comparison. As set out in a letter to various congressmen, they are long on expressions of concern but carefully hedged by conditions which ought not tie US negotiators' hands in the Uruguay Round. They could result in some industry protection, but mostly the pacts appear useful in providing political cover for pro-Nafta congressmen.

On textiles for example, the president promised to dedicate an additional $15m for enforcement of Customs regulations and the hiring of 136 new Customs Service employees to detect transhipment and other illegalities. He reassured congressmen that China would get no quota increase from the Uruguay Round until it becomes a signatory to the General Agreement on Tariffs and Trade "and agrees to open its markets to US textiles and apparel".

He vowed to negotiate the longest possible phase-out of textile quotas. If the six-country Association of South East Asian Nations, the Caribbean countries and Ireland will support a 15-year phase-out period, the US will seek to re-open the current text "to negotiate acceptance of such a proposal".

With respect to tariff cuts – a key to the tariff reduction talks in Geneva – the president says these should be staged over a period "at least as long as the phase-out of the MFA (the Multi-Fibre Arrangement)". Furthermore, he promised not to include "sensitive products", such as wool, until the end of the phase-out period, and to work with the industry and Congress to determine which products are the most sensitive.

In talks between the US and European Union industries, the president "would not anticipate going substantially beyond our current proposals on sensitive products".

On another deal concerning imports of peanut products from Canada, the president ordered the agriculture secretary to begin talks with the Canadian government "to remedy the increase in imports".

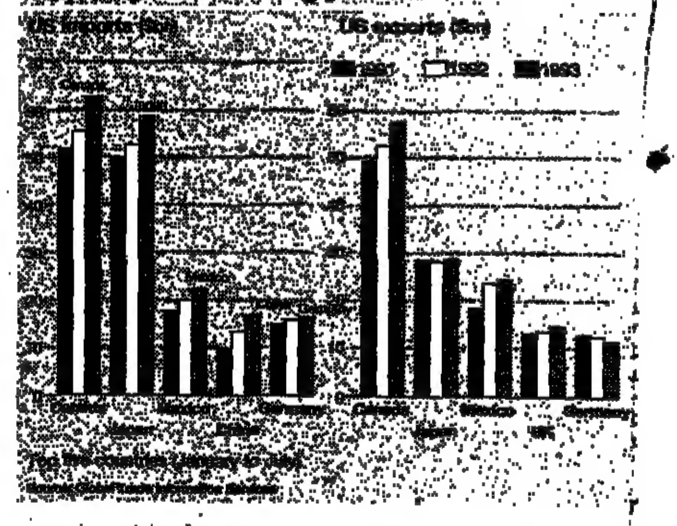
He also requested the US International Trade Commission, an independent bipartisan agency, to investigate the imports to see if they are undermining the US price support programme. This ultimately could lead to higher tariffs or quotas against Canadian peanut butter.

Congressmen involved in a deal over citrus would not release their presidential letters. However, one said it contained a promise not to cut the US citrus tariff by more than 15 per cent in the Uruguay Round.

Backers of beef producers were also reluctant to release their letters. However, one said the president had promised to abide by an established US-Mexican agreement, predating Nafta, which would allow US meat inspectors to visit Mexican facilities during on-going investigations without advance notice. He also agreed to boost the number of inspectors from 250 to 350.

One of the most satisfied deal makers was the Florida Congressman Clay Shaw, who had demanded extradition from Mexico of a man wanted in California for the rape of a child.

He said he had received assurances from the Mexican government that the extradition treaty would be honoured.



Canada gives priority to anti-dumping issues

By Bernard Simon in Toronto

CANADA is urging the US and Mexico to set up a high-profile mechanism to negotiate new anti-dumping and subsidy rules within a specific time frame under the North American Free Trade Agreement.

Mr Jean Chrétien, Canada's prime minister, is expected to tell President Bill Clinton when the two men meet in Seattle today that Canada's implementation of Nafta on January 1 is conditional on the creation of working groups, or similar bodies, to deal expeditiously with these issues.

Mr Roy MacLaren, Canada's trade minister, yesterday indicated however, that the new Liberal government, which came to office last month, was unlikely to delay Nafta's implementation.

US anti-dumping and countervail actions have been at the heart of several acrimonious trade disputes with Canada over the past few years, including softwood lumber and pork. Most recently, Washington has threatened to act against alleged subsidies on Canadian durum wheat.

"At the very least, the government wants to ensure that the anti-dumping issue is front and centre," a senior official said yesterday. Nafta already provides for a working party on trade and competition policy, and for further examination of subsidies.

Canada's concerns on subsidies would be substantially addressed by a successful conclusion of the Uruguay Round of multilateral trade negotiations. But the Uruguay Round would do little to reform anti-dumping rules.

Nafta's approval by the US House of Representatives had little impact on Canadian financial markets yesterday. Nafta is expected to have a far smaller impact on the Canadian economy than the four-year-old US-Canada free trade agreement. Canada's trade with Mexico totals about C$3bn a year, a fraction of its trade with the US.

Chile 'ready to join Nafta'

By Stephen Fidler, Latin America Editor

THE CONDITIONS are in place for Chile to join the North American Free Trade Agreement, Mr Alejandro Foxley, finance minister, said in Santiago yesterday.

He had been assured two weeks ago in New York by President Bill Clinton that once Nafta was approved, Chile would be the next in line for a free trade agreement, he added.

Mr Jean Chrétien, the new Canadian prime minister, had also indicated his interest in a free trade accord with Chile, while one was already in place with Mexico, which calls for the mutual elimination of tariffs on most goods by 1998.

Mr Foxley said he had no opinion whether the best route would be to secure bilateral trade pacts with the three Nafta members or seek accession to Nafta, although the conditions were in place for Chile to join Nafta.

Acknowledging that Mr Clinton had other priorities, he said there was no rush to sign an accord. "It's not for us an extremely significant economic event, in the short term at least."

Latin American countries should continue to move ahead with their integration efforts. In a world of managed trade, negotiating clout was what counted and Latin countries could only achieve that by banding together.

Chile could eventually become a partner in the so-called Group of Three of Mexico, Colombia and Venezuela, which are expected to finalise a free trade accord shortly.

Apec envoys heave sighs of relief

By George Graham in Seattle

MINISTERS and officials at the Asia-Pacific Economic Co-operation meeting in Seattle expressed relief at President Bill Clinton's Nafta victory in the House of Representatives on Wednesday night.

Although delegates have carefully avoided saying that a defeat would turn Mr Clinton into a lame duck host for this 15-country gathering, officials clearly believe that the US president will now be in a much stronger position to provide leadership for Apec.

"He'll come here as a stronger duck," said Mr Peter Cook, Australia's trade minister.

Mr Roy MacLaren, Canada's international trade minister, said after the vote: "Certainly, it seems to me to strengthen President Clinton's presentation of himself as a man committed to freer trade and liberal trade on a global basis."

Apec delegates had been at pains to point out a bright side for their organisation whether Nafta won or lost. Mr Philip Burdon, New Zealand's minister for trade negotiations, said that while Apec would complement Nafta, in the event of failure it would have become a fallback position.

France urges US to make fresh Gatt proposals

By David Buchan in Paris

FRANCE said yesterday it was now up to the US to produce "new proposals" to bring the Gatt negotiations to the same successful conclusion as the Nafta accord.

Mr Gérard Longuet, France's foreign trade minister, said the ball was now in the court of the Clinton administration which could and should henceforth "devote itself fully to the Uruguay Round". Reports from the US agriculture department that Washington was ready to discuss the Blair House farm trade agreement, as demanded by France, were welcomed in Paris.

But Prime Minister Edouard Balladur warned against any attempt to present France with a take-it-or-leave-it Gatt accord hours before the December 15 deadline for the Uruguay Round. French officials said Paris would need sufficient notice of any agreement so it could consult all parties and its parliament. The French premier reiterated that a Gatt accord would need unanimous approval by European Union countries, giving France an effective veto.

In response to suggestions Mr Balladur should now show the same political courage as President Clinton in facing down protectionists in his own party, a senior French official said yesterday France "is not in the same phase of economic growth as the US and therefore does not have the same room for manoeuvre" in negotiations.

French officials also criticised the tactics of Mr Peter Sutherland, the Gatt director general, for "pretending that the so-called Dunkel draft final agreement had the basic agreement of all parties" and diverting the Geneva negotiations onto other issues. Many Gatt participants, including the US and the EU, still had serious problems with the Dunkel draft of 1991.

After a month free from any farmers' demonstrations, the Balladur government is now slightly more confident of selling an eventual compromise to its agricultural lobby.

Gore up front and deals in the backrooms

Nancy Dunne on what turned the tide in the fight for Nafta

VOCIFEROUS opposition to the North American Free Trade Agreement first surfaced three years ago when a coalition of US labour, environmentalists, consumer groups, farm and church organisations formed to oppose extension of the "fast track" authorisation, under which Congress agrees to vote on trade pacts such as Nafta without amendment.

These groups comprise the worker bees of the Democratic party, so it was with trepidation that the supporters of then Governor Bill Clinton watched their candidate endorse Nafta during the primary and general election campaigns last year.

Mr Mickey Kantor, the campaign chairman and now US trade representative, said Mr Clinton immediately recognised that Nafta would not be "politically viable" – with either the electorate or the Congress later on – without the side deals ultimately negotiated on labour, environment and unexpected import surges.

The big business backers of the trade pact perceived that Nafta was in deep trouble when, during the presidential debates, Mr Ross Perot, the independent candidate, repeatedly raised the threat of a "giant sucking sound" drawing US factories south of the US-Mexico border. The phrase found resonance in the steady drumbeat of corporate cutback announcements, fuelling worker insecurity as the US economy restructures.

Organising against Nafta continued as negotiations over the supplemental pacts dragged on for seven months. The administration was in a squeeze; business, Mexico and Canada were resisting a strong deal guaranteeing the right of Mexican workers to organise and strike. It was not clear that the US unions would support any Nafta at all.

Just as Republicans and the business community were grumbling that President Clinton did not have his heart in Nafta and Congress returned from its summer recess alarmed about the pact's unpopularity, the White House put on a spectacular launch ceremony. On the bill were President Clinton at his most passionate (inexplicably, he is always his best on Nafta) and the endorsements of former Presidents George Bush, Gerald Ford and Jimmy Carter, all of which came to symbolise the extraordinary bi-partisanship which in the end got Nafta through the House.

Thereafter, a succession of White House events, including Nafta endorsements by practically every living former cabinet official and economist, presidential trips and speeches, just barely moved public opinion on Nafta. "Four weeks ago not one person, outside a few, thought we could pass this Nafta," Mr Kantor said.

The president was eating with, jogging with and pressuring congressmen, but making little apparent headway until Vice President Al Gore suggested debating Mr Perot.

It was a brilliant strategy, because it personalised Nafta in the form of an arrogant, secretive and peculiar Texas billionaire. Mr Perot's televised threats – and those of labour – that they would eject from office all Nafta supporters in the House was a big miscalculation. It caused resentment among congressmen and a determination by some not to be seen as being in labour's pocket.

Implicitly acknowledging that backroom deals would be key to passage, the administration brought in as "Nafta czar" Mr William Daley, son of the late Chicago mayor "Boss" Richard Daley and brother of the current mayor. It was a series of deals that Mr Daley was involved in and which were detailed in presidential letters to congressmen, and a turnaround in public opinion after the debate, which brought a flood of endorsements just before the vote and clinched the 234-200 victory.

Companies fire off a round of applause

By Frank McGurty in New York

PASSAGE of the North American Free Trade Agreement by the House of Representatives was applauded by the US business community yesterday and roundly condemned by trade union officials.

Business leaders from many industry sectors praised the agreement, saying it would boost exports by US companies to Mexico and Canada, create jobs for American workers and enhance the role of the US an advocate of free trade.

In remarks that captured the general tone of the reaction, Mr John Smith, chief executive of General Motors, said: "By saying Yes to Nafta, the House had made good on a great window of opportunity for America. For the first time, American-made products will be able to compete fairly in Mexico without the burden of tariffs and other barriers."

Most union officials vowed to continue their fight against the agreement and repeated warnings to legislators who supported it. "American workers will not forget... those succumbed to the pressure," said Mr Jack Sheinkman, president of the Amalgamated Clothing and Textile Workers Union.

"We need an agreement that affords workers the same protections which Nafta affords corporations."

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Nigeria awaits news of political future

Abacha: broader base

By Paul Adams in Lagos

GENERAL Sani Abacha, Nigeria's former defence minister who assumed power on Wednesday, was last night expected to announce the formation of a new military-backed government.

But army officials suggested that Gen Abacha, who deposed Chief Ernest Shonekan, the civilian head of state, would seek a broader base of civilian support especially amongst elder statesmen than that enjoyed by the interim government.

The strikes and protests of early this week gave way to calm in the half empty streets of Lagos yesterday as Nigerians awaited the outcome of talks between the top military officers.

Even in Lagos, where the dominance of the mainly northern military elite is deeply resented, there was cautious optimism over Gen Abacha's takeover. It may reflect, however, a resentment that Mr Shonekan agreed to serve the military administration which last June deprived a fellow southerner of the presidency. Chief Moshood Abiola won the poll which was annulled by the military. Lagos is the home state of both men.

"Shonekan's government was just getting in the way of any resolution of the political deadlock," said a pro-democracy campaigner.

"If you are going to rule Nigeria you have to have either a mandate from the people or a gun in your hand. Shonekan had neither," said a leading banker in the commercial capital.

The interim government lacked credibility from the start being handpicked by Gen Ibrahim Babangida after his resignation at the end of August. It was handicapped by its inability to legislate by decree or to govern through the National Assembly.

Last week's high court ruling in Lagos that the interim government had no legal basis and the popular protest at the rise in the fuel price damaged Mr Shonekan's standing.

The police have declared demonstrations illegal and the Campaign for Democracy, which led the opposition to extended military rule through civil protests in July, has called off its two-day demonstration in Lagos.

Crowds burning barricades in Lagos' main road were dispersed in the morning but apart from the detention of several civilians there was little tension.

There were minor protests in the northern city of Kaduna and serious disturbances at the country's main petrochemicals and refinery complex in Eleme near Port Harcourt, where angry crowds blocked access to the plant and protested against the central government for diverting oil revenue from the region. It is among the poorest and least developed in Nigeria, despite producing most of the country's exports.

Public transport remained scarce and fuel hard to find with most filling stations closed on the fourth day of the general strike.

Gen Abacha has made his base at Dodan Barracks in Lagos, and seems likely to reverse the move to the new federal capital of Abuja by Nigeria's last military ruler, Gen Ibrahim Babangida.

The talks to end the general strike by the Nigeria Labour Congress (NLC) over the 600 per cent rise in the fuel price last week were sheduled to be in Abuja on Thursday but are have been suspended, until there is a new government.

The National Assembly in Abuja has been sealed off by security forces and local government councils were dissolved last week.

A decisive push against Japan's old system

William Dawkins and **Robert Thomson** on the vote by MPs for new electoral laws that stunned LDP

CHEERS broke out yesterday afternoon in the normally sedate Japanese parliament as 10 opposition Liberal Democratic party members filed up to the podium to vote with the government.

Each man solemnly handed in a white tile, signifying that he had flouted party instructions and supported the government's four political reform bills designed to sweep aside the scandal prone political system which kept the LDP in power for 38 years until last July.

Clapping broke out on the coalition benches, where the prime minister Morihiro Hosokawa was seated, faintly smiling, surrounded by his rag-bag seven-party coalition, stretching from religious right through liberal to socialist.

Silence hung over the other side of the house as grim looking Mr Yohei Kono, LDP president, reflected on his party's second humiliation since losing a vote of no confidence in June. With the help of those LDP defectors, the reform plans swept through the lower house yesterday with a majority of 270 to 226, far larger than expected.

The vote was another decisive push against the remains of the old structure of Japanese politics, clearing the site for a re-alignment of parties and politicians.

The LDP's fate exposes the inability of long-time politicians to recognise that the rules of the game have changed, and that their orderly queue for a ministerial post or a prime ministership may have to be re-formed elsewhere.

With the LDP now fearing that it will go down for a third time, perhaps at an election late next year, Mr Hosokawa's pledges to transform the style and substance of Japanese politics are gradually being fulfilled.

The manner of his victory yesterday was a departure from the tradition of consensus-seeking on important legislation, and will add to a personal popularity based on the public perception that he is at least trying to be honest.

But Mr Hosokawa's power is linked to the continuation of his diverse coalition, united only by the desire for political reform. Other coalition members have their own visions of the political realignment that will follow.

These visions do not necessarily include Mr Hosokawa and could transfer the drama of politics back from the public stage of parliament to the backrooms of the Tokyo political district, where a fine public image does not count for much.

The legislative reforms, still to be passed by the upper house of parliament, will end the present multi-seat constituency system, blamed for encouraging corruption by promoting intense competition among and within parties to raise campaign funds.

The success of his personal style of politics has ensured that change has swept onwards

Under the old system, politicians courted construction companies with promises of huge public works investments that would be directed towards them, as a result of which more than 20 executives and local politicians are being questioned by public prosecutors.

The proposed system is a mix of UK-style first past the post single-seat constituencies and continental European-style proportional representation. There will also be tough controls on corporate donations, and a fixed system of public donations.

The dangers ahead for Mr Hosokawa come not from a crippled LDP, but from the power struggle that will now take place within the coalition. He has reason to fear Mr Ichiro Ozawa, the main power broker in the coalition who was co-founder of the LDP splinter group that brought down the former government.

Mr Ozawa was a valuable ally earlier this week when he used his knowledge of the LDP to undermine its unity. Now he wants LDP defectors for his party, the Japan Renewal Party.

There is talk of a JRP merger with another coalition member, Komeito, the Clean Government Party, linked to an influential but murky Buddhist movement, the Soka Gakkai, to form a mainstream centre-right grouping. The ambitious Mr Ozawa has never hidden his desire for a system of two conservative groupings.

But for now, the wily Mr Ozawa needs the honest Mr Hosokawa's popularity. Mr Ozawa has been forced to wait behind the scenes because of a poor public profile, stained this month by his confirmation that he, too, had received large but, he insists, legal donations from contractors.

Mr Ozawa's second problem is that few mainstream voters would be keen to vote for Komeito, which relies for political support on the religious faithful.

Alternatively, an election could produce another hotch-potch coalition of parties able to put aside differing ideologies and religious beliefs for the sake of holding power.

But before then, an independent body, under the prime minister's office, will have to draw up new single-seat electoral districts. The boundaries will be the subject of intense inter-party bargaining for at least six months. The horse trading has only just begun.

But on one thing, most political analysts agree. The next election should encourage real debate from a previously impassive public. It will put pressure on politicians, elected in the past because of their powerful political alignments, to provide distinctive policies or style.

The seismic upheavals of the past few months have shaken out a large floating vote and narrowed the differences between parties. Undecided voters account for 35 per cent of the total according to a recent survey, which shows no clear leaders among the other main groupings.

"The last election already showed that organisation was not everything," says Jeff Young, political analyst at Salomon Brothers Asia.

All this coincides with, or could be a consequence of, a general cultural change among people at large, away from general adherence to the communal discipline symbolised by four decades of one-party LDP rule, and towards an eagerness to pursue individual ideas.

This shift is visible in a number of odd ways. Companies and employees are starting to rethink the traditional social contract of a job for life in return for absolute loyalty.

Political chat shows are becoming popular on television and sober suited "salarymen" can even be seen wearing coloured ties instead of the ubiquitous pearly grey.

Mr Hosokawa cannot claim credit for changing Japanese fashion, despite his fondness for Armani ties. But the success of his personal style of politics has ensured that political change has swept onwards. The sober-tied veterans of the LDP will spend longer in the opposition benches than they had ever imagined.

Mr Hosokawa voting on his reform package in the Diet yesterday Associated Press

Farmers protest at rice imports

A THAI vessel carrying a shipment of Japan's first import of foreign-grown rice since 1984 into Yokohama port was met by boatloads of Japanese farmers yesterday, protesting against emergency imports to cover the country's severe shortage, writes Emiko Terazono in Tokyo.

Japan plans to bring in 1.1m tonnes (10 per cent of its domestic consumption) of rice from Thailand, China and the US, as it faces the worst rice crop in post-war history.

Some analysts forecast a need for extra imports, as the shortage may be up to 2m tonnes.

The emergency shipment arrived as Japan's rice import ban is debated in the Gatt multilateral trade talks in Geneva.

The Japanese officially deny changing stance over opening the rice market on the one hand, and trying to work out a compromise over tariffs on the other.

Mr Akio Kyoya, vice-minister of agriculture, yesterday denied reports that Japan and the US had reached a compromise agreement in Geneva.

However, in October, US trade officials revealed that the two countries were negotiating terms to include a six-year moratorium on rice imports, during which a minimum access level of 3-5 per cent of Japan's domestic rice consumption will be imported.

Japanese money supply up

JAPANESE money supply continued its gentle rise last month, but at exactly the same rate as previously, further evidence of the sluggishness of demand.

The broadly defined aggregate of M2 (cash in circulation and time and demand deposits) plus certificates of deposit rose by a preliminary 1.9 per cent in October, against the same month last year, the Bank of Japan said.

That was the seventh monthly increase in a row, but exactly the same as the final figure recorded in September and below most economic forecasters' expectations. Preliminary figures showed 2 per cent growth in September money supply, later downgraded to 1.9 per cent. The bank's broadest gauge of liquidity, including postal savings and investment trusts, eased.

NEWS IN BRIEF

Somalia operation is 'not workable'

THE United Nations' operation in Somalia is a mess, with little hope of its efforts there ever bearing fruit, the medical charity Médecins Sans Frontières said yesterday, Reuter reports from Brussels.

"It's a dead end and I am very pessimistic about Somalia. It's such a mess and there is no possibility of it working," Mr Alain Destexhe, secretary-general of the charity, said.

There had been no improvement in Somalia since the UN dropped its high-profile hunt for Somali warlord Mohamed Farah Aideed, Mr Destexhe said.

The UN had confused its humanitarian and political roles in Somalia and other crisis areas such as former Yugoslavia. "After two years, the track record in Bosnia and Somalia is negative on both a humanitarian and a political level."

Relieved and joyful relatives laughed and wept as the men, looking weak with filthy clothes and unkempt beards, were freed one by one after shaking hands with top local officials.

A young woman called Fahmeeda said her brother had been trapped in the mosque after going there to worship on October 15, the night the army sealed off the compound.

Hyundai wins high speed deal

Hyundai Precision and Industry has been chosen by GEC Alsthom to head a South Korean consortium to make the Train à Grande Vitesse (TGV) train for the country's new high-speed rail project, writes John Burton in Seoul.

GEC Alsthom, now negotiating with the Korean government on a final contract for the TGV, will supply the technology to Hyundai Precision, which makes transport equipment and is part of the Hyundai business group.

Daewoo Heavy Industries, Hanjin Heavy Industries and local parts suppliers will also be part of the Korean consortium. GEC Alsthom was selected over Siemens in September to supply 46 trains for the Seoul-Pusan high-speed rail route.

The contract is valued at \$2.4bn (£1.61bn), with the Anglo-French group agreeing to provide half of the contract to the Korean consortium.

Taiwan to send hijackers back

Taiwan, in an attempt to deter the hijacking of Chinese airliners to the island, yesterday decided it will send hijackers back to China after sentence or finishing their jail terms, Reuter reports from Taipei.

Seven Chinese airliners have been hijacked to Taiwan since April. Taipei has rejected China's demands to send the hijackers back to China immediately and detained them for trial on the island.

The aircraft, other passengers and the crew were sent back to China on the same day.

The decision to repatriate hijackers was reached by a cabinet-level anti-hijacking committee headed by Interior Minister Wu Poh-hsiung, state radio said. But the final approval of Premier Lien Chan is still needed.

China to unify exchange rates

China will abolish its different exchange rates next year and set one single rate for the yuan against the US dollar, Reuter reports from Beijing.

Zhang Xiao, president of the International and Commercial Bank of China (ICBC), made the announcement on a trip to Singapore.

"Zhang said the exact timing depends on a number of conditions, including how rapidly exports increase," China's official Xinhua news agency quoted him as saying.

"The scrapping of foreign exchange controls must be taken in steps, rather than in one fell swoop.

The central committee of the ruling Communist Party on Sunday adopted a plan calling for wide-reaching reforms, including a restructuring of China's financial system to adopt Western-style macro-control levers such as interest rates and reserve requirements to help control liquidity.

The Chinese yuan currently trades at about 5.7 to \$1 at the state rate. Forex swap centres, where businesses can balance their foreign exchange needs at market-set prices, see the yuan trading at about 8.8 to \$1.

Nissan to cut vehicle output

NISSAN, Japan's second biggest carmaker, plans to close four of its Japanese factories for two days next month in an attempt to trim output and cut costs, it said yesterday, writes Michiyo Nakamoto in Tokyo.

The decision reflects the severity of Japan's economic slowdown and its impact on the car industry. Nissan has already announced plans to close one of its main factories on the outskirts of Tokyo.

The move will affect about 15,000 employees, to be given extra days off with 90 per cent pay, to be funded partly from government employment adjustment subsidies. The closures, which will cut output by about 4,000 vehicles, follow a similar move this month affecting over 2,000 workers.

The company's domestic production declined by 13 per cent in the first half of the fiscal year. The decision also reflects the downturn in the European market, where exports have fallen 47 per cent. Nissan has already revised its production forecast by 12 per cent to 1.8m units.

UK spirits groups in Indian joint venture

By Stefan Wagstyl in Bombay

INTERNATIONAL Distillers and Vintners, the drinks arm of Grand Metropolitan, the UK group, yesterday agreed a Rs200m (\$6m) joint venture to produce and sell scotch, vodka and other spirits in India.

In partnership with Kilachand, a Bombay-based diversified group which is India's biggest vodka maker, IDV plans a factory with a capacity of 600,000 cases a year for bottling its international brands, including Smirnoff vodka. It will start operation early next year.

IDV's agreement follows similar tie-ups by other giants of the international drinks market – Guinness and Allied Lyons of the UK. Seagram of Canada plans to set up an independent operation.

The IDV agreement was completed in Bombay during a week of British business events which has seen British companies announce export orders worth about £700m (\$1bn).

● Relatives and friends embraced and wept yesterday, as 35 civilians caught in a month-long siege at Kashmir's Hazratbal shrine were reunited with their families, Reuter reports from Srinagar.

The 35, all men, were released from police custody not far from the Srinagar mosque where they had huddled for 32 days surrounded by Indian troops. Thirty others, suspected of being Moslem militants, stayed in detention.

The men, looking weak with filthy clothes and unkempt beards, were freed one by one after shaking hands with top local officials.

Indian prime minister P V Narasimha Rao, and other government figures denied that a deal had been worked out, saying the men had surrendered unconditionally.

Buthelezi will fight constitution

THE conservative black leader Chief Mangosuthu Buthelezi yesterday warned President F W de Klerk that he would fight South Africa's new interim constitution and reduce it to "the rubble of passing history", Reuter reports from Durban.

Chief Buthelezi, who walked out of the constitutional talks five months ago, said in a statement that Mr de Klerk and Mr Nelson Mandela, the African National Congress leader, had decided "to go it alone" without his participation or approval.

"We will meet the present draft constitution.... with determined resistance," said Chief Buthelezi, who demands autonomy for the Natal/KwaZulu region where he has his power base.

"I want to point out that when it comes to the implementation of the new constitution and the whole transitional phase, nobody should expect us to be faithful and diligent in assisting," he added.

Mr De Klerk, Mr Mandela and 17 other leaders approved an interim constitution early yesterday providing for non-racial elections next April.

Black and white right-wing groups reject the document as a recipe for domination by the ANC.

"Mr de Klerk and Mr Mandela will in the end know that the best that they could do together will end up.... incurring the wrath of such a large percentage of South Africans that [it] will be reduced to the rubble of passing history," Chief Buthelezi, leader of the Inkatha Freedom Party, said.

He told Mr Peter Kooijmans, Dutch foreign minister, yesterday that he would not take part in the election if it meant legitimising a flawed constitution. "I would rather go into the political wilderness."

● The International Labour Organisation yesterday resumed technical assistance and co-operation in South Africa after a boycott lasting three decades.

Israel agrees to pull back Gaza troops

By David Horovitz in Jerusalem

ISRAEL has agreed to limit its military presence in the Gaza Strip to positions inside Jewish settlements there, Nabil Sha'ath, the chief PLO delegate to autonomy negotiations with Israel, said in Cairo yesterday.

Speaking at the end of three days of intensive talks, Mr Sha'ath added that he was optimistic that a detailed autonomy deal would be ready for signature as scheduled by December 13, so that the Israeli military withdrawal from the Gaza and Jericho areas could begin on that date.

Israel's minister of police, Moshe Shahal, visiting Egypt for a meeting with President Hosni Mubarak, confirmed that he too expected the December 13 deadline to be met.

Mr Sha'ath said that, originally, Israel had wanted to maintain military positions outside the Gaza settlements, but that the Israelis had backed down. He added that initial agreement had also been reached on many aspects of the transfer of civil authority to the Palestinians and on matters such as fishing and aviation rights, and access to radio and television frequencies. Mr Sha'ath also said that he expected PLO chairman Yassir Arafat to move from PLO headquarters in Tunis to the territories in January.

The main sticking points now, he said, were the control of border crossings, the size of the Jericho area to be transferred to Palestinian control, and the release of Arab prisoners. While Israel is prepared to release the majority of the 10,000-plus Palestinian prisoners it holds, it has so far refused to consider freeing several hundred who have "Israeli blood on their hands."

Mr Sha'ath said no deal would be signed "without a scheduled and written commitment for the release of prisoners. This is a long overdue issue. They should be released now."

The Israeli and PLO teams are to hold another three days of talks starting next Monday, and might schedule longer sessions as the December 13 deadline draws near.

Israel has reinforced troops in occupied Arab lands to stem a rise in violence, but security sources said yesterday they doubted the move would help, Reuter reports from Jerusalem.

"There has been an increase in troop strength but it's nonsense," an Israeli security source said. "You know and I know that more troops don't prevent these kind of attacks."

On Wednesday, an Arab stabbed a soldier to death in the occupied Gaza Strip, bringing the death toll since the signing in September of the Israel-PLO peace deal to 12 Israelis and 20 Palestinians.

Jewish settlers stage an intifada of their own

By David Horovitz

THIS week, a small number of prominent Jewish settlers in the occupied territories got together to form a new group. Called Settlers for Peace, they marked their formation by issuing a brief statement. Claiming to represent the overwhelming majority of settlers, they called on their fellow 130,000 Jewish residents of the territories "to exercise restraint," despite the latest spate of Palestinian attacks.

Jewish settlements, said their chairman, Eli Cohen, could serve as "bridges to peace between Jews and Arabs." The world should know, he added, that most settlers genuinely sought peace and reconciliation.

Unfortunately for the Settlers for Peace, their initiative coincided with settler unrest in the centre of the West Bank town of Hebron. Two Palestinians had attacked father-of-ten Avraham Zarbiv as he made his way to morning prayers at the Cave of the Patriarchs, leaving him wounded in the head but still able to fire a shot from his pistol that killed one of his attackers.

Led by Rabbi Moshe Levinger, one of the founders of the West Bank settlement movement, a group of settlers burst into Hebron's main market area, overturning piles of vegetables, throwing stones - even ordering Arab traders to line up against a wall while they demolished piles of their produce. Car windows were smashed. Some traders claimed later to have been beaten.

The Israeli army maintains a sizeable deployment in the area. Military sources do not dispute that there were soldiers on hand. Palestinian witnesses insist that the soldiers made no effort to intervene, but simply watched and waited until the settler rioting was over.

Amnon Shahak, the army's deputy chief of staff, who is also heading the Israeli delegation to autonomy negotiations with the PLO, admitted yesterday that the army has a problem combating the increasingly militant settlers. "It's hard for 18-year-old Israeli soldiers to deal with the settler riots," he said. "But we will find an effective answer."

General Shahak is not the only man looking for a solution. Israel's Justice Minister David Libai has said that the government must not allow the settler riots to go on, but has offered no specific means of countering them. The Attorney-General, Michael Ben-Yair, has been holding meetings with various security officials with a view to banning some of the most extreme settler organisations, including factions loyal to the anti-Arab views of the assassinated Rabbi Meir Kahane.

Israeli police lead away a demonstrator protesting at attacks on settlers Associated Press

But the Israeli authorities are anxious not to force the most dangerous activists underground. The police and army insist that they have been making arrests, but although several dozen settlers have been taken into custody following violent protests in the territories and outside government offices and residences inside Jerusalem, few spend more than a night in jail.

The Palestinians, however, have an obvious solution. When the Israeli army begins its phased pullout from the Gaza and Jericho areas early next year, they should take the settlers with them. In an interview last month, Nabil Sha'ath, head of the PLO team at the autonomy talks, spoke of the need for Gaza's 4,000 settlers to be gone within two years.

But while Prime Minister Yitzhak Rabin may well have long-term plans to give up sovereignty over all the settlements in Gaza and many in heavily-populated Palestinian areas of the West Bank, he is telling his negotiators that, in the short term at least, not a single settlement will be uprooted, that settlers must be protected, and that the army will have to find the means to minimise settler-Palestinian friction.

The problem for Mr Rabin, however, is that the settlers' fight against the whole Palestinian autonomy programme appears to be winning support among the rest of the Israeli public. Shortly after the Israel-PLO accords were signed in Washington two months ago, opinion polls showed two thirds of Israelis backing the peace deal. Latest surveys indicate that figure has slipped below 40 per cent, and it seems to be falling with every new Palestinian attack on a Jewish target. The Settlers for Peace initiative seems destined to fail: Militant settlers are not exercising restraint, the army has found no way to stop them, and the Israeli public seems increasingly sympathetic to their cause.

Egypt's terror-hit tourism 'recovers'

By Stephanie Gray in London

EGYPT'S tourism industry is recovering from the effects of Islamic extremist attacks, with 106 per cent hotel occupancy rates in the Red Sea and Sinai resorts and 49 per cent occupancy in Luxor, Mr Mamdouh Ahmed Beltagui, the country's new tourism minister, said yesterday.

He said the figures for September augured well for the main season just starting after a year in which arrivals have been down 20 per cent on 1992 and receipts down by almost $1bn on last year's $3bn.

Mr Beltagui, in London to sign a regional tourism agreement with Turkey and Israel, said a number of travel agencies which had dropped Egyptian packages from their promotional literature had agreed to resume publicity.

The revival of Egypt's biggest foreign exchange earner had been confirmed, he said, by E£4.7bn of new investment in the industry through the official tourism agency alone, 80 per cent of it private enterprise.

Almost 2m visitors had been recorded between January and September against the 3.3m for all of last year.

He attributed the upturn on a successful clampdown on fundamentalists, in which at least seven militants have been hanged for the murder of three foreign tourists, but said Egypt was still suffering from adverse media coverage. There was less danger for visitors to Egypt than to Londoners from the Irish Republican Army.

Lebanese unions threaten strike

LEBANON'S main labour confederation yesterday rejected a 69.5 per cent government pay increase and called on unions to declare a general strike, agencies report from Beirut.

If the unions heed the call in their meeting next Thursday they could threaten Prime Minister Rafik al-Hariri's efforts to speed recovery from the effects of the 1975-90 civil war.

The Lebanese Labour Union Confederation (CGTL) has also called for demonstrations in all regions of Lebanon as part of a phased plan of action until the pay offer is increased.

The government's proposed increase fell well short of the 120 per cent boost, backdated to January 1, that the CGTL had demanded for 350,000 private sector employees and 110,000 public sectorworkers.

Riots in Beirut on May 6, 1992, over Lebanon's economic decline toppled then-prime minister Omar Karami.

The Hariri government, hoping to satisfy the hard-pressed workers without throwing post-war economic recovery plans off track, agreed a raise which takes the basic monthly minimum wage to L£200,000 ($116) from L£118,000.

But the union argued workers needed more because prices rose 120 percent in 1992 as the Lebanese pound plunged.

Mr Fuad Sniora, minister of state for finance, said the pay rise would cost the treasury up to L£215bn pounds in 1994 but meeting the CGTL's full demands would have doubled the cost to the treasury and hit private employers hard.

Governor reveals Bank's rescue principles

By John Gapper, Banking Editor

MR EDDIE GEORGE, the governor of the Bank of England, last night disclosed for the first time the Bank's principles for deciding whether and how to give financial assistance to troubled banks that it believes may fail.

Mr George, who defended the Bank's role in launching a series of financial "lifeboats" for a number of small and medium-sized banks during 1991, said it was essential that no bank, whatever its size might be, expected automatic support.

Mr George, delivering the second of a series of annual lectures at the London School of Economics, said that the measures taken to protect 40 banks in 1991 had prompted the Bank to update its principles on such operations.

Mr George argued that the potential for one bank's failure to affect others had increased with the evolution of the financial system. "Crises can spread not just from bank to bank, but also from country to country," he said.

Mr George said the Bank had been "quite clear that, had we failed to intervene, the pressure would have spread and we would then have found it harder to stop".

Mr George said the Bank's principles were that:

- It will explore every option for a commercial solution before committing funds. It will always ask large shareholders to supply support, and failing that will encourage the bank to try to find a buyer "even at knock-down prices."
- If it does provide support it will try to structure it "so that any losses fall first on the shareholders, and any benefits come first to us". Support will also be "on terms as penal as we can make them" without leading to collapse.
- It will only provide short-term liquidity, and will not "in normal circumstances" support a bank known to be insolvent. He said the 1991 losses had occurred when the position of the banks involved worsened after the intervention.
- It will "look for a clear exit." The company may be required to run down or restructure operations under the Bank's surveillance to the point where it can do without support within a given period.
- It will try to keep systemic support secret at the time. Disclosure could lead to a loss of confidence and the Bank could be drawn into "a position where we were in practice underwriting all the liabilities of the banking system".

Goldman bonus fuels hopes of higher rewards

By Tracy Corrigan, Antonia Sharpe and Sara Webb

GOLDMAN SACHS, the US investment bank, kicked off the annual round of bonus awards in the City of London yesterday, at the end of a year when record profits at many securities houses and investment banks have fuelled hopes of hefty rewards.

"The level of bonuses is very varied – it ranges from 20 or 25 per cent of basic [salary] to multiples of basic," said Mr Roger Steere, director of executive recruitment at Jonathon Wren. For traders earning a basic salary of £50,000, this could mean total remuneration of £200,000 or more.

At the top of the bonus league are the proprietary traders – also known as arbitrage dealers – who use their bank's own capital to take large positions on the market, which can generate massive returns: some of them are expecting bonuses of £1m or more.

Yesterday's Goldman award is unlikely to dampen expectations: in a memo to London staff, the partnership announced a 30 per cent year-end bonus for all locally-hired employees. This is on top of personal bonuses awarded for individual performance, which were given on Monday.

Goldman's November year-end means it is ahead of the field in deciding bonus levels. Some companies do not pay out until March or April next year.

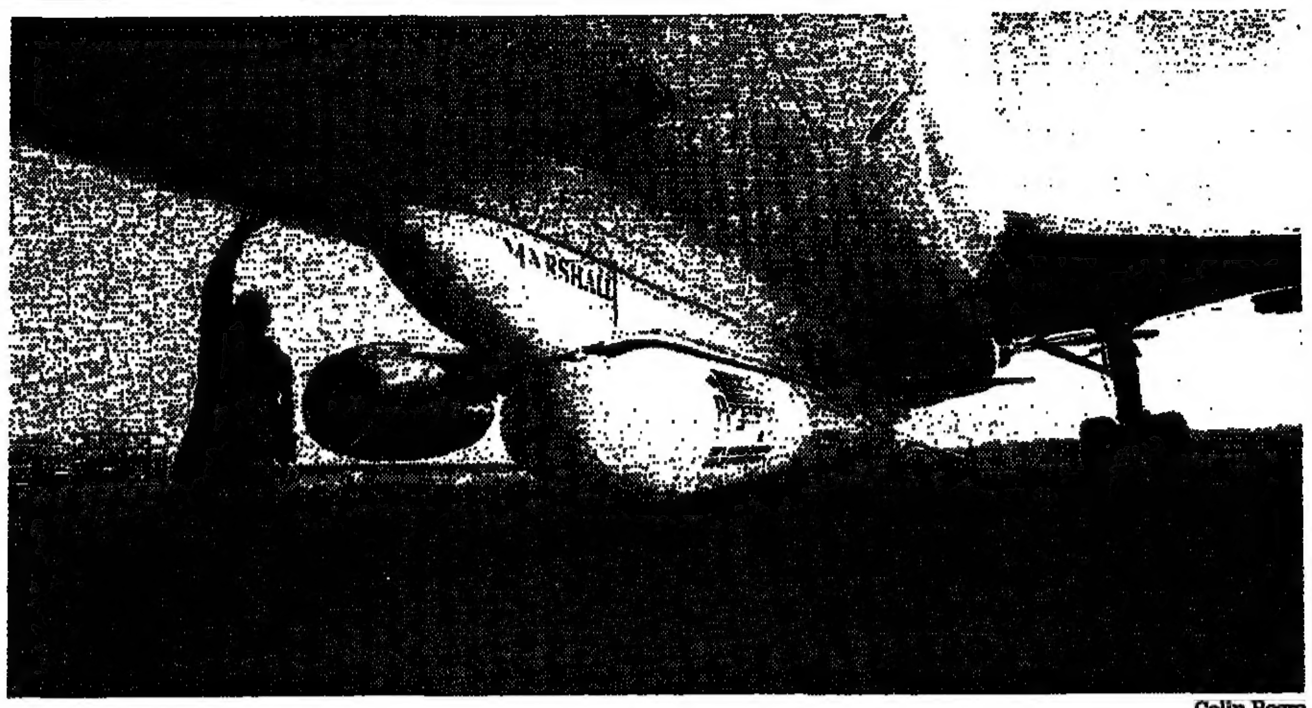
City traders are particularly optimistic about bonuses this year because the bull market has helped them exceed the targets set at the beginning of the year.

But banks and securities houses are becoming wary about the size of payouts. Some are trying to defer some payments of bonuses, by offering options on the companies shares, or shares, so that employees have a stake in the company. This is particularly true at senior levels: for example, the highest paid employees at Salomon Brothers may get up to half their bonuses in shares.

But traders and sales staff without any management responsibility are keen on cash. "Dealers tend to get pretty substantial cash bonuses, and that's what they are working for," said Sir John Trelawny, senior partner at GKR, the headhunter, who pointed out that it is seen as compensation for working in a demanding and risky business, without long-term prospects.

The bonus bonanza has also made it more difficult – or more expensive – to recruit staff.

One 27-year old German government bond trader said: "Most people live off their basic and save their bonus . . . they realise things may not last forever."



Colin Beere

Marshall Aerospace, of Cambridge, unveils the L1011 TriStar which it has converted for Orbital Sciences Corporation of the US. The aircraft can now carry a launcher which, after being set free at 35,000 ft, can propel a satellite into orbit at a height of 400 miles

Sharp fall in UK unemployment

By Emma Tucker, Economics Staff

THE BIGGEST fall in unemployment for over four years and a sharp drop in average earnings growth yesterday raised hopes that the UK economy can continue to recover without igniting inflation.

The news, coming after a sharp drop in inflation announced earlier this week, heightened the chances for an interest rate cut before the end of the year to offset the effects of tax rises widely expected to be imposed in the Budget.

The number of people out of work and claiming benefit fell a seasonally adjusted 49,000 last month to 2.85m, the lowest level since September last year.

The monthly drop, which may have been partly inflated by high numbers of students returning to education, was the seventh so far this year and spread across all regions.

Meanwhile, average earnings growth dropped to 3 per cent in the year to September from 3¼ per cent in August, dragged down by the public sector pay ceiling of 1.5 per cent, and underlining the lack of inflationary pressures in the economy.

But weak bank and building society lending figures also out yesterday acted as a reminder of the fragility of the recovery and the continued reluctance by consumers and businesses to borrow. The Bank of England said the M4 lending growth rate dropped from 3.3 per cent in September to 3 per cent in the year to October, only marginally higher than the 30-year low of 2.9 per cent, reached in July.

In London the pound, buoyed by the encouraging economic news, closed a pfennig higher against the D-Mark at DM2.5275 while the FT-SE 100 share index ended the day up 5.5 at 3125.5.

The government took the drop in unemployment and the surprise fall in inflation from 1.8 per cent to 1.4 per cent in October as further evidence of the strength of the recovery.

Although economists were surprised by the size of the October drop in the jobless total, many now believe that the jobless total is on a firmly downward trend.

Britain in brief

Rolls-Royce to cut 1,000 more jobs

Rolls-Royce, the aero-engine and industrial power group, is to shed an additional 1,000 jobs in its UK aerospace operations next year because of continuing difficult trading conditions in both its civil and defence aero-engine businesses.

The latest restructuring, confirmed yesterday by the company, will increase the total number of job cuts in Rolls-Royce's aerospace activities to 3000 next year on top of the 3000 jobs it is already losing this year.

The company announced last year it planned to shed 5000 jobs in 1993 and 1994 in the face of the prolonged recession in the civil aerospace market and the post cold war downturn in the defence sector.

Scottish Enterprise

The Scottish select committee of the House of Commons is to inquire into the workings of Scottish Enterprise, the network of enterprise agencies in Scotland which was set up in 1991.

The inquiry will look into recent claims by the Scottish media and by opposition politicians that the network is ineffective.

Scottish Enterprise sees the select committee inquiry, which will take place in the new year, as a chance to rebut criticism and to present its record to detailed scrutiny.

Outrage at Hess memorial

Anti-Nazi League members demolished a memorial to Hitler's deputy Rudolf Hess which has appeared in a lonely Scottish field. The monument praises Hess, Hitler's deputy, who landed near Eaglesham, south of Glasgow after a mystery flight to Scotland in 1941.

The marble monument bears the words: "This stone marks the spot where brave, heroic Rudolf Hess landed by parachute on the night of 10th May 1941 seeking to end the war between Britain and Germany."

Harvey Livingston, president of the Glasgow Jewish Representative Council, said his community would be "horrified and disgusted" to learn that any leader of the German Nazi regime could be respected in this way. Local council planners were trying to trace the owner of the land.

Hess, who told troops who captured him in Scotland that he had a vital message for the Duke of Hamilton, was arrested and spent the rest of his life in prison, eventually dying at Spandau jail, Berlin, six years ago.

Backing for arts falls 13%

Business sponsorship of the arts in the UK during 1992-93 fell by 13 per cent, to £57.69m, according to figures released by the Association for Business Sponsorship of the Arts. This was the first ever annual decline recorded by ABSA.

Involvement in corporate membership schemes, a major source of revenue for major arts companies like the Royal Opera House, Covent Garden and the Royal National Theatre, marked time in 1992-93 at £7.9m.

This still shows a considerable retrenchment on the £12.5m that companies paid for their guaranteed seats at the opera and the ballet in 1990-91, before the recession forced many to economise on corporate entertaining.

Yarrow to lay off 1,500

Yarrow Shipbuilders on Clydeside proposes to lay off half of its 1,500 manual workers from Monday in the face of the continuation of a 16 day official strike by the company's 600 white-collar staff.

The workers in dispute are demanding equal treatment with the manual workers at the yard who secured wage rises of 3.7 per cent plus £300 across the board last February after a bitter conflict.

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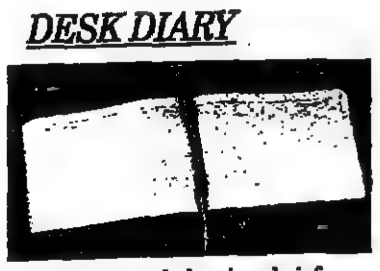

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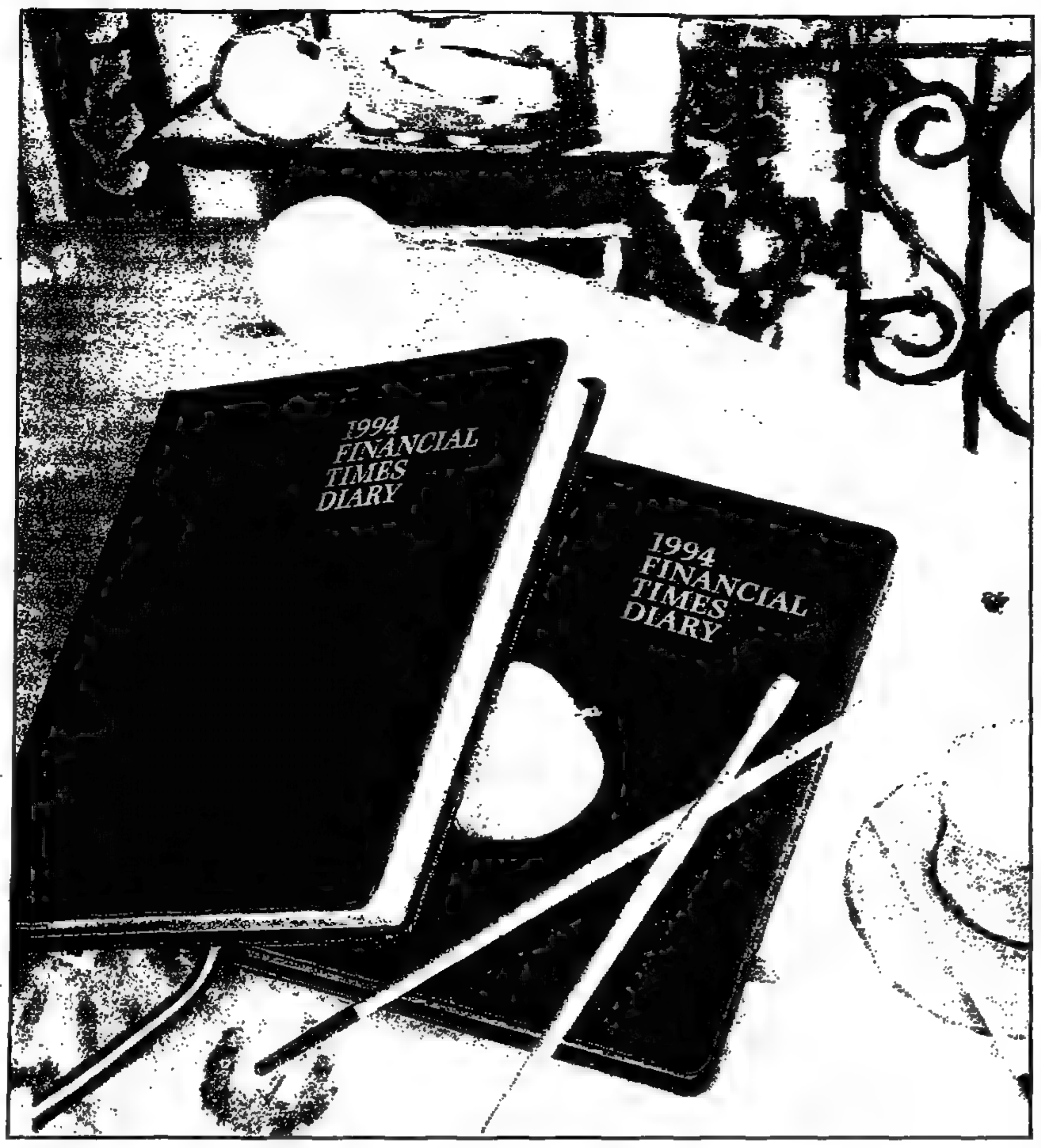

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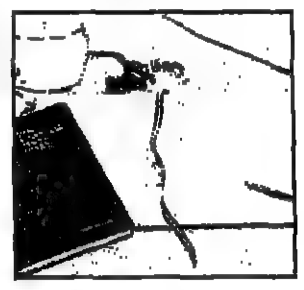

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Boost for London's EC trademarks role

By Robert Rice

THE UK government yesterday gave a much-needed boost to London's chances of being chosen to host the European Trademarks Office, by announcing a long awaited overhaul of UK trademarks law.

The bill, included in yesterday's Queen's Speech, will simplify the system for registering and protecting trademarks and implement the 1989 EC Trademarks Directive.

It will make it easier for a trademark to qualify for registration allowing companies to register distinctive three dimensional shapes such as Johnny Walker whisky bottles and geographic names which form part of a brand.

It will also simplify procedures for registering trademarks. The distinction between between trademarks and service marks will be abolished. The term of registration and renewal will be changed from seven and 14 years to 10 years as is common in most other countries.

The implementation of the European Directive which will establish a unitary trademark system for the European Union, will allow the UK to ratify the Protocol to the Madrid Agreement (an international system for the protection of trademarks) making it easier for UK trademark owners to obtain protection in other countries.

The UK has so far been unable to become a member of the Madrid Agreement because its procedures and fees are not compatible. A protocol to the agreement that avoids those difficulties was agreed in 1989 and has been signed by 28 countries, including the UK.

● Diane Summers adds: The Coca-Cola bottle may largely have been replaced by the can in the UK, but Coke's distinctive bottle is still inextricably linked to its image and brand name. However, that link is not currently recognised under the UK's law on trade marks.

The government's proposed bill on trade marks aims, through one of its measures, to remedy that shortcoming: in future, a distinctive-shaped bottle will become just as registrable as a brand name.

The proposed reforms were welcomed yesterday by anti-counterfeiting campaigners, retailers and trade mark consultants. The bill is almost certain to become law – it is unlikely that opponents to the principles of the reform will emerge, even if lawyers want to pick over the details.

Mr Bill Bryce, who is head of trade marks at international drinks group Guinness, and also chairs the Anti-Counterfeiting Group, said he was "highly delighted" and that at last the law would reflect "business as it is in this century".

Currently manufacturers have to resort to common law actions for "passing off" if they want to prevent others stealing their designs.

Queen's Speech: the main points

THE QUEEN'S SPEECH, read in the House of Lords, with MPs summoned from the House of Commons to listen, contained 13 new measures, three fewer than the first Queen's Speech of this parliament. Each session of parliament opens with a speech. The parliament runs until a next general election.

The speech contained a programme of legislation designed to give substance to the "back to basics" theme, which has recently emerged, driving the government's domestic policy agenda.

As expected, the 13 measures unveiled for the new parliamentary session will be dominated by an omnibus criminal justice bill marking a much tougher stance on law and order, and by a legislative drive against regulation.

Other measures are:

● Reform of teacher-training with a requirement on universities and colleges to establish codes of practice governing the conduct of students' unions
● Privatisation of British Coal
● Establishment of Britain's secret service and intelligence-gathering on a statutory basis
● Reform of local government in Scotland and Wales
● Reform of Sunday shopping
● Changes in the European Union's system of revenue raising, as agreed at last year's EU summit
● Increase in National Insurance contributions paid by employees – a result of last March's Budget
● Paving laws to prepare for Environmental Protection Agencies

The Queen's Speech: the centrepiece of the State Opening of Parliament and a brief summary of the forthcoming legislation

Major restates pledge to work for Ulster peace

By Philip Stephens and David Owen

MR JOHN MAJOR reinforced yesterday his personal commitment to a political settlement in Northern Ireland by pledging to table his own comprehensive plan if the momentum towards peace foundered.

The prime minister's statement to MPs at the start of the new session of parliament, marked the second time in a week he had chosen a high-profile occasion to put his political authority behind the peace process. He repeated his readiness to offer Sinn Féin a place at the negotiating table if it permanently renounced violence.

Senior Whitehall officials said the government was drafting proposals covering all of the three central elements, or strands, in the search for a political settlement.

Any blueprint would include plans for a devolved assembly in Ulster, for enhanced co-operation between the province and the Republic, and for a new agreement to replace the Anglo-Irish intergovernmental conference.

Mr Major took a conscious decision to keep Northern Ireland at the top of the political agenda by modifying the government's position on the circumstances in which it would put forward its own plan.

He indicated he was no longer prepared to make a return to the negotiating table by all four constitutional parties in Ulster a precondition for a government blueprint. In a deliberately explicit warning to Mr Ian Paisley's Democratic Unionist Party, Mr Major added that "no party or organisation" could exercise a veto on the process.

He said he wanted a permanent end to violence and a political settlement and stressed that the precondition for a place in the process for Sinn Féin was that "the violence must stop – and be seen to stop".

He added the guarantee for the present constitutional status of Northern Ireland was "cast-iron" as long as it was the wish of the majority.

Signs of unease on the Conservative backbenches that Mr Major may have leant too far in the direction of Sinn Féin were voiced by Mr Norman Lamont, the former chancellor. Mr Lamont questioned the point of contacts with an organisation committed to undermining Ulster's status.

But Mr Major's pledge came as ministers prepared to step up efforts to secure agreement on a form of devolved government for Northern Ireland through new talks with the province's leading politicians.

Mr James Molyneaux, leader of the Ulster Unionist party, responded positively to Mr Major's remarks, saying he could see "no cause for alarm" in what the prime minister had said.

But Mr Peter Robinson, deputy leader of the DUP, rebuffed recent calls for peace, saying they would come to nothing.

TENS OF thousands of people took part in a community day of peace in towns across Northern Ireland yesterday in a powerful call to loyalist and republican terrorists to abandon their campaigns of violence.

Up to 30,000 people participated in the biggest demonstration in Belfast. Thousands more attended 11 other rallies in other towns.

The event was organised by the Irish Congress of Trade Unions in response to a perceived groundswell in the community in favour of a fresh effort at reconciliation.

The Confederation of British Industry encouraged companies to allow employees to attend demonstrations. A "vote for peace" telephone line received more than 100,000 calls.

In Dublin Mr Albert Reynolds, the prime minister, led members of the Dail in observing the minute's silence. At around the same time shops, offices and businesses throughout the republic halted for a minute's silence.

Arrests after fan killed by rocket

By Jim Kelly

FOUR MEN were arrested yesterday after a soccer supporter was killed by a powerful rocket fired at the end of Wednesday night's World Cup soccer match at Cardiff Arms Park.

Mr John Hill, 67, was killed instantly when he was struck by the powerful distress rocket just as the final whistle blew. Police later identified the missile as a German-made parachute SOS signal, about six inches long. It has a normal projection of 1,000 feet and can travel at 400 mph.

Although new to British soccer flares and fireworks are part of the festival atmosphere of many European matches.

The tragic off-field incident helped put a grim night for British soccer in its proper perspective.

For the first time since 1938 all four 'home' sides failed to qualify for the World Cup Finals. The Welsh, playing at the home of Welsh rugby in front of 40,000 fans, failed to reach the US play-offs after missing a penalty in a 2-1 defeat at the hands of Romania.

Some 20,000 fans flooded the BBC TV switchboard after it abandoned live television coverage of England's World Cup tie and switched to the Wales match.

Only 200 actually got through as BT had to take emergency action to stop the system overloading.

The changeover came as England's slim chances of qualifying seemed finally to have disappeared after the Dutch took a 2-1 lead in their match against Poland.

"The switch was an editorial decision taking into account the state of play in both games," said a spokesman. With England, Wales, Northern Ireland and Scotland failing to qualify the only side from the British Isles to make the US will be the Republic of Ireland who drew 1-1 in Belfast to qualify for the finals, after Spain's victory over Denmark in Seville.

Corporate graphology 'a waste of money'

By Stephen McGookin

COMPANIES that use handwriting analysis as part of their recruitment process are wasting their money, a leading British psychologist claimed yesterday.

Dr Donald McLeod, a corporate psychologist with the Independent Assessment and Research Centre at Ashridge Management College, said: "As an indicator of people's effectiveness in the workplace, you might as well throw a sheaf of application forms out the window and choose those that land face up."

In a report for the British Psychological Society Dr McLeod – previously chief psychologist for the Civil Service Commission – says recent research shows that a full-scale psychometric test is the most valuable indication of a potential employee's suitability.

But the report was attacked as "alarming" by Ms Mary Nicholson, head of the London-based Graphology Business, which provides a handwriting consultancy service to corporate clients.

"Graphology is based on a very precise theory, with practitioners using their psychological knowledge to understand precise signs," she said.

While its use is not widespread in the UK – and in some US states, use of handwriting analysis is prohibited for recruitment purposes – it seems to be accorded more credibility in France. Rhône-Poulenc, the chemicals company, says it used handwriting analysis to sift application forms but now only refers to a graphologist where there might be a doubt about a candidate, and even then, the candidate would be called back for a further interview.

"We never make a decision based on a graphologist's comments," the company's human resources department said.

PROPERTY

Building on trust

Paul Cheeseright on the impact of property-owning charities

Development trusts are treading where private sector property companies dare not venture. The trusts – property owning charities – are making a big impact in the regeneration of urban and rural areas, traditionally no-go areas for property companies. But the trusts are a fragile breed: of about 100 in England and Wales, probably 10 are financially self-sufficient.

In many cases trusts behave like property companies, trying to develop and exploit assets to generate income. But the purpose behind the creation of trust assets is infinitely varied.

A trust may be set up to support the business plans of young people, as in the case of Foothold Trust in Llanelli, south Wales, to hasten improvements on a housing estate, as in the case of Queens Pythian Development Trust in Liverpool, or to encourage wealth creation, as in the case of Moss Side and Hulme Community Trust in Manchester.

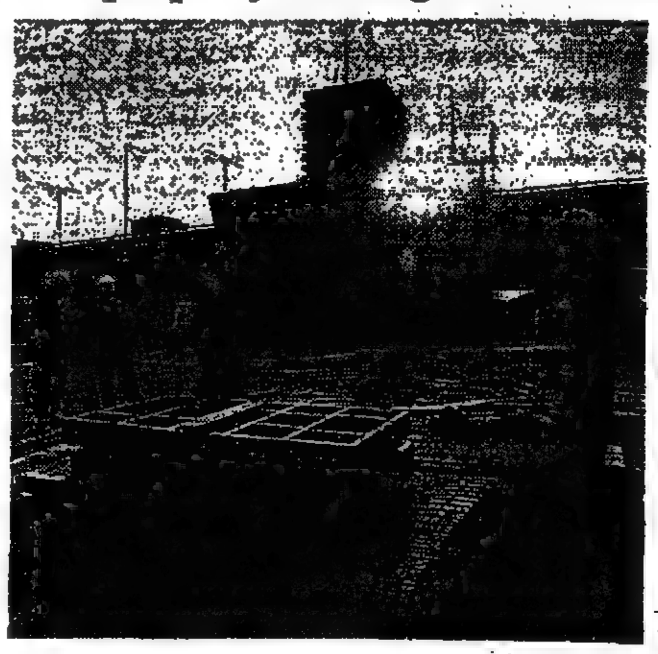
Instead of distributing profits to shareholders, the trusts funnel their surplus back into the community in the form of grants or new schemes. The majority of trusts are registered charities. They reflect local ambitions and aim to respond to local needs.

Because social and economic needs are more acute in poorer or derelict areas, the opportunities to tap potential investment targets are not immediately obvious to private sector companies: a town office development points towards easier profits than a mixed development in a bleak suburb or on a ramshackle estate.

The existence of a trust frequently reflects a community group trying to fill a business gap in a way which provides a spin-off for the locality.

In Birmingham, for example, the St Peter's Urban Village Trust started when a local group organised a financial package in 1985 to buy a Church of England training college and its grounds, which could not find a commercial buyer.

Other trusts started because of historical quirks. The largest and oldest with about £20m of assets is the North Kensington Amenity Trust. It started in 1970 when local authorities sought to placate a community angered by the building of the overhead A40(M) in west London by offering to give over for community use 23 acres of land beneath the motorway. Similarly, community opposition to office development plans on the south bank of the Thames, eventually led to Coin Street Community Builders – a coalition of local residents – winning ownership of 13 acres of riverfront land from the Greater London Council.



Trevor Humphries

Building work on community land beneath the A40, west London

Ownership of land and buildings is the key to financial self-sufficiency for trusts. The problem for younger trusts is the difficulty of setting up an adequate asset base. Ms Angela Monaghan, director of the Development Trusts Association, which brings together about half the trusts in England and Wales, says there are three main problems.

● First, it is now more difficult for local authorities to dispose of land at less than the highest price offered; authorities have to sell to the highest bidder unless the environment secretary agrees otherwise

● Second, some types of grant aid, such as regional selective assistance, are not available to registered charities. This may prove of less significance following the government's announcement this month that it is to consolidate its urban spending programmes.

● Third is the shortage of development finance. Trusts are not taken seriously by financial institutions. "There is a finance gap," she says

The gap has widened since the collapse of the property market in 1989 and does not look like improving until the market revives and banks overcome their ambivalence towards property lending. It is doubtful whether today it would be possible to obtain a 100 per cent mortgage of the type provided to St Peter's by National Westminster in 1985.

As a result trusts have been pushed back onto an increasingly financially-constrained public sector for support, encouraging them to win a role in established programmes such as City Challenge, which funnels government funding into closely defined geographical areas. If trusts can hang on they may find their futures secure as the successors to such programmes, which generally are of limited duration.

"They are operating in marginal areas where they require some public sector finance to make them work," Ms Monaghan said. "If they're not given support, through revenue or capital assets, they won't become self-sufficient."

But even when self-sufficiency has been achieved, the line between failure and financial stability is slim. North Kensington Amenity Trust, for example, is negotiating with the Department of Transport, its freeholder since the demise of the Greater London Council, on its ground rent. The department is obliged to charge a commercial rent. Previously the trust paid a peppercorn. Payment of a commercial rent would wipe the trust out.

St Peter's trust in Birmingham has been in modest financial surplus, £40,323 in the year to last April; it makes its money from workshops, offices, student accommodation, a youth hostel, shop and social club, while providing a centre for sports and cultural activities. But St Peter's trust has to find £74,000 to meet new environmental health regulations on its student accommodation. It is still searching for the cheapest finance.

Such demands for higher expenditure have come when market conditions have increased the vulnerability of the trusts. Like their private sector peers they have had to cope with a shift in the balance of power from the property owner to the occupier as demand for space has dropped during the recession. At North Kensington trust, rental income for the year to last April was marginally higher than the year before at £866,778. At St Peter's, income for the 12 months to April was slightly lower than the previous year at £323,491.

These overall figures hide big changes. Office rents at North Kensington trust are down to £9 a square foot from a high of £20 sq ft in the late 1980s. The trust has a waiting list for craft workshops, but instead of being able to lease the space, it is obliged to license the space for six or nine-month spells. At one stage St Peter's had a third of its workshop space vacant as small companies succumbed to recession. Now it has only one, but it has refused to discount its £3.50 rental.

The trusts need a revival of economic activity and a return of business confidence, the necessary precursors of a wider demand for space, as much as any property company.

MANAGEMENT

Electrolux is delighted with its Hungarian purchase, writes Nicholas Denton

In from the cold

Electrolux is that rare breed: the contented multinational investor in Hungary. The Swedish white goods producer bought Hungarian refrigerator maker Lehel outright in 1991 and already has results to show for its acquisition.

"We can't complain," says Anders Scharp, chairman and chief executive of the Electrolux group, which this week reported better-than-expected third-quarter profits. At Lehel, Electrolux managed to boost pre-tax profits by 16.6 per cent to Ft950m (£6.4m) in 1992 and held sales steady. Production, 665,000 units in 1992, is expected to hit 1m by mid-decade.

Each employee produced about one unit a day in April 1991. By October 1993, volume per man-day was 1.8, not far short of a west European worker's daily output of about two. "The potential for productivity improvement was amazing," says Heikki Takanen, a senior Electrolux manager and deputy chairman of Lehel.

Electrolux agreed in March 1991 to buy state-owned Lehel and its factory complex at Jaszbereny on the Hungarian plain for about $50m (£34m). It was part of the Swedish group's effort to be as strong in eastern Europe as in western, where it is the largest producer of white goods.

At the most brutal level, Electrolux has improved productivity by cutting the Lehel workforce from 4,800 at the time of the takeover to 3,200. The Swedish company has divested non-core businesses and dismissed employees from the central fridge-making activities, too.

Administrators have borne the brunt: Electrolux has reduced its number from 250 to 120. As Lehel's extended hierarchy has shrunk, top managers and shopfloor workers have come into closer contact. Tibor Kertesz, managing director of Lehel, queues with manual workers at the canteen. His predecessor rarely visited the shopfloor.

But Electrolux executives must still penetrate a thick layer of distrust accumulated over decades of secretive management. Employees used to learn what the company was up to through speculation and the media. Electrolux has resorted to any means to communicate: newsletters, meetings – and even the truth. Electrolux appreciates that top management, however passionately they communicate, cannot run everything. "Sometimes you have to tell people that you don't know," says Kertesz.

Anders Scharp (left) and Leif Johansson: willing to eat humble pie

Electrolux therefore places as much emphasis on "horizontal" as on "vertical" communication. "What we brought here was a culture – a culture of openness and cross-functional communication," says Takanen. Marketing and production departments now have monthly meetings, for example. Before, in the first quarter of 1992, demand dropped. Sales did not inform production. Lehel's managing director remembers: "They went on producing without realising what had happened."

Electrolux has delegated, too. Managers, while fewer, have gained more freedom to manage. The company has committed more to training than is customary in its acquisitions. Takanen claims the policy has unlocked potential, particularly among middle management.

Electrolux executives privately believe they have managed Lehel's transformation effectively. More so, for example, than General Electric of the US at Tungsram, which experienced something of a culture clash. Outright ownership helped. Electrolux was the first western investor to take 100 per cent of a Hungarian state company. That gave the firm the freedom to tackle restructuring as it saw fit. Takanen is convinced: "It makes all the difference. I would be very reluctant to enter into a minority position. To make the changes we are making you need to be in full control."

Electrolux has improved productivity by cutting the Lehel workforce from 4,800 at the time of the takeover, to 3,200. It has also divested non-core businesses

But disguising this iron fist is a velvet glove. Electrolux has grown through takeovers and its experience has taught it one lesson above all. "Be humble," Leif Johansson, president of the Electrolux group, advises. "People do things differently in different countries. One has to be humble to adjust to that – and even like it." Electrolux's modesty led it to rely heavily on task forces composed of Hungarians and foreigners to decide on restructuring.

Electrolux kept expatriates in supportive positions beside Hungarian managers. "Instead of putting lots of people in from outside, the Swedes that we have added have been in 'shadow' places," says Johansson. Of 22 top decision makers, all but two are Hungarians. True, Electrolux brought Kertesz, a Swedish executive, to head the Jaszbereny operation. But he is of Hungarian origin, an émigré who fled after the 1956 uprising against communist rule and Soviet occupation.

Electrolux focused first on these structural and cultural changes. "First come the soft investments," says Takanen. "You have to get the values in place." This intangible investment has not always impressed Electrolux's Hungarian employees. They initially doubted Electrolux's commitment. It took the introduction of a facility assembling vacuum cleaners to restore confidence.

Skill has been part of Electrolux's success, but it owes much to circumstance. Lehel has supplied the Electrolux group with fridges since 1979. A part of the Hungarian company's exports to the west, which make up two-thirds of production, has therefore been insulated from the decline in Hungary's competitiveness.

As the market has recovered Lehel's share has also rebounded. Electrolux has broadened Lehel's range and taken it into new markets. Fridges are doing well and Lehel has kept about two-thirds of the market. Hungarian consumers flirted with imports after they were liberalised. But many have been burnt by fly-by-night operators and have returned to established suppliers whose service can be trusted.

The most pleasant surprise has been consumer loyalty to Lehel. Reliance on demanding western markets acted as a healthy discipline even in communist times and Lehel earned a reputation for quality. That is now paying off.

Lehel is still in many Hungarian ears synonymous with refrigerator. The badge has proved far more resilient than most Hungarian brands in the face of import competition. "We have been successful or perhaps just lucky," says Scharp. Electrolux may be overly modest. Insofar as western investors select what they acquire in eastern Europe, they make their own luck.

CHRISTOPHER LORENZ

Why it's hard to be a good parent

Few issues generate so much heat within companies as the relationship between headquarters and the rest of the organisation. Not for nothing do managers still chuckle cynically at the old jibe: "I'm from head office and I'm here to help you."

So it is surprising that there has been little useful business school research into how the relationship can be made more effective.

Six years ago academics, Michael Goold and Andrew Campbell of the Ashridge Strategic Management Centre, produced a book which delved deeply into the way head offices advise, control and otherwise add value to their constituent businesses – or "parent" them. Called *Strategies and Styles*, it examined the "parenting" styles of 16 leading British companies and analysed whether their methods were appropriate to their portfolios of businesses.

The book proved influential in several respects. It established that it is hard for a head office (or "corporate centre", in current jargon) to be good at more than one distinct parenting style. It demonstrated that the sustained success of Hanson and BTR has been partly because their styles have been better matched to their types of businesses than those of past conglomerates such as ITT.

It underlined that the hands-off style used by GEC and other UK companies in electronics was inappropriate and had hindered the creation of globally competitive businesses. And it showed that shifting one's style is harder than changing one's business portfolio.

But, to judge from their recent public statements, several of the companies most praised in the book have forgotten its lessons and seem to be drifting towards a muddy and ineffective middle-of-the-road style. The most notable nascent offender is Hanson, with BTR not far behind.

In 1987 Goold and Campbell identified three parenting styles.

"Financial control" companies, epitomised at the time by Hanson and BTR, along with Tarmac and GEC, tend to delegate strategic decisions to the managers of a diverse portfolio of business units, which have few if any dealings with each other. The centre's main role is to agree demanding short-term financial targets for the businesses and to monitor them ruthlessly.

"Strategic planning" companies, exemplified by BOC, Cadbury Schweppes, United Biscuits, BP and others, focus on only a few "core" businesses. The centre participates actively in formulating their strategies, aiming to help them make better decisions. It often initiates strategies which involve inter-related businesses.

"Strategic control" companies, including Courtaulds, ICI and Vickers, sit squarely in the middle. They have a strong commitment to decentralisation and they control their businesses against demanding targets. But they also have extensive strategic planning processes through which the centre seeks to add value by reviewing, challenging and monitoring the strategies of each business.

Changing a parenting style is a far more risky process than most companies and investors realise

Goold, Campbell and a colleague, Kathleen Luchs, have revisited the original material in the light of the companies' experience since 1987. Their two-part review, published in the October and December issues of Long Range Planning journal*, makes instructive reading.

They find it "ironic" that Hanson has said repeatedly over the past year that it will focus on seven "core" businesses and that BTR has claimed it is successful in global as well as regional businesses. Just as odd is BTR's declaration that it intends to share technology across businesses.

These pronouncements have obviously been meant to reassure investors that neither company is losing its way. But that is precisely what they seem to be doing – again assuming they mean what they say.

As the Ashridge trio points out, the essence of the financial control style remains its ability to improve performance in autonomous businesses. It "is much less suited to a portfolio of 'core' businesses, or to (ones) engaged in fierce global competitive battles, in which different national businesses must co-ordinate strategies to achieve success".

The academics warn financial control companies explicitly "to avoid blurring their strategies by claiming that they can also handle the sort of businesses that require a strategic control or even a strategic planning style".

For admirers of Hanson and BTR, a further concern must be Ashridge's new evidence of how hard it is to make effective use of strategic control, the centre ground towards which the two companies seem to be drifting. All five of the original study companies in this category have had trouble, mainly because their portfolios were too diverse for it to work well.

"The old idea that a decentralised structure, coupled with a modern budgetary and planning system, could allow a competent corporate management team to add value to almost any business fails to stand up," concludes the Ashridge team. Hence, in part, the decisions of Courtaulds and ICI to demerge themselves.

Strategic control also requires a difficult balance of tightness and looseness. To strike that balance, head office needs to know a lot of detail about its various businesses.

None of this is to argue that the boundaries between the three styles are watertight and that limited aspects of strategic control cannot be grafted on to either of the other styles. But a company's parenting style is usually based on a set of deeply embedded attitudes and practices which are mutually consistent. Alter one of them and you may reduce the effectiveness of the whole system.

Changing a parenting style is a far more complex and risky process than most companies and investors seem to think. Head offices are not leopards, but nor are they chameleons.

*Pergamon. Tel 0865-794141.

TECHNOLOGY

Diane Palframan looks at why Europe's manufacturers are unhappy with their information technology

Better supplies for the troops

Europe's manufacturers are unhappy with their suppliers of information technology. They want IT equipment which meets their needs more effectively, enabling them to speed up their processes and link up systems at different sites.

Determined to put pressure on their suppliers, leading automotive and aerospace companies have banded together in a project aimed at producing a new generation of IT systems for manufacturers. It is expected to last for more than six years and involve an investment of more than Ecu424m (£330m).

The consortium involved in the project contains 17 companies from six countries and is headed by Daimler-Benz, the German automotive and aerospace company. The others are Deutsche Aerospace, Mercedes-Benz vehicles and AEG electronics (all part of Daimler), the Volkswagen group and BMW from Germany; British Aerospace and the Rover Group from the UK; *Aerospatiale*, *Dassault Aviation*, PSA and Renault from France: Alenia, Fiat and component supplier Magneti Marelli from Italy; Saab Aerospace from Sweden; and CASA from Spain. All use IT extensively for design and manufacture.

By collaborating and keeping suppliers at arm's length, the companies believe they can reach a consensus on their future IT requirements. They also believe they carry sufficient weight to persuade the IT vendors, such as IBM and Computervision, to develop the products to meet those requirements, an important one being the need for integration of different systems.

The companies' objective, says Horst Soboll, the project's manager and Daimler's vice-president for IT strategy, is "to improve the competitiveness of European manufacturing". Soboll believes this can be achieved both by developing innovative technology more closely matched to the requirements of users and by using existing technology more innovatively.

In the initial phase of the project, which started this month, the consortium will specify its IT requirements including any *de facto* standards it wishes to adopt and set priorities for the research and development projects that will follow in the main phase. This will take up to 18 months.

IT vendors and academic institutions will be consulted for suggestions. Among those stressing the importance of this, to keep users up to date with emerging technology, is US-based Computervision. A leading supplier of software to the European automotive industry, it reluctantly admits that IT suppliers could do better.

The cost of the pilot phase will be Ecu34m, half of which will be provided by the European Commission and the rest by the consortium. Although the Commission is funding the project under its Esprit IT research and development programme, it is unlike any previous Esprit project.

Advanced Information Technology (AIT) in design and manufacturing – as the project is called – only includes IT users and is focused on one of the main problems facing most industries today: bridging the gap between IT needs and IT offerings.

The project has not gone through the normal lengthy Esprit project approval mechanism. It was proposed in response to the Commission's request to industry for more user-driven, less technology-orientated, projects. (The Commission has often been criticised for the lack of returns to industry from its research spending.)

The initial idea came from Daimler, which approached Europe's aerospace and automotive companies (and some leading US companies in the same industrial sectors). In less than a year, the consortium was formed and funding approved for the pilot phase.

Rover backed the project from the first. "It brings together the expertise of the best people in the European automotive industry to develop a strategic framework for all IT requirements for design and manufacturing," says Paul Towers, Rover's manager of computer integrated engineering strategy.

The company is confident that despite some big differences between the sectors (such as the rate of manufacturing output), the consortium will reach agreement on common problems and how to address them. If it does, the next Ecu400m phase will follow, for which Esprit funding will also be sought.

In the past, technology was often installed with little thought about users and the organisation

This level of proposed European financial support reflects the scale and importance of the project. The Commission's proposed total spending on research and development into information and communications technologies (of which AIT is a part) is Ecu3.9bn for 1994-98.

In the main development phase of AIT, the work will be split into individual projects in which selected IT vendors will be involved. The vendors need not be European but if they are to receive Esprit funds, they will be regarded more favourably if they have research and development facilities in Europe.

These IT projects will cover three areas:

- Product and process modelling (for example, the creation of digital mock-ups);
- Simultaneous engineering for the development and manufacture of new products, especially where the development is being carried out at several different sites;
- Production control and logistics support.

By the end of the 1990s, it is expected that many of the new developments will be demonstrable at user sites. Rover is looking forward to the next generation of IT systems for design and manufacturing. They will have modules specially tailored to the needs of the automotive and aerospace industries, but have the same core.

"One of the benefits of this project is that we can start addressing the necessary organisational and cultural changes that the new systems will require ahead of their implementation," says Towers. "This way we're likely to reap more rewards from the systems."

In the past, technology has often been installed with little thought about users and the organisation. Towers admits that 10 years ago, Rover invested heavily in computer-aided design without a detailed implementation plan. Only recently has it started to re-engineer its business processes and introduce techniques such as team-based, concurrent engineering to make better use of the systems.

One of the biggest problems, however, with existing design, engineering and manufacturing systems, is integrating them so that the information flow from one to the next is fast, reliable and accurate. At the start of important aerospace projects, for example, the partners still invariably specify the use of a common computer-aided design system to overcome the difficulty of exchanging data between different systems.

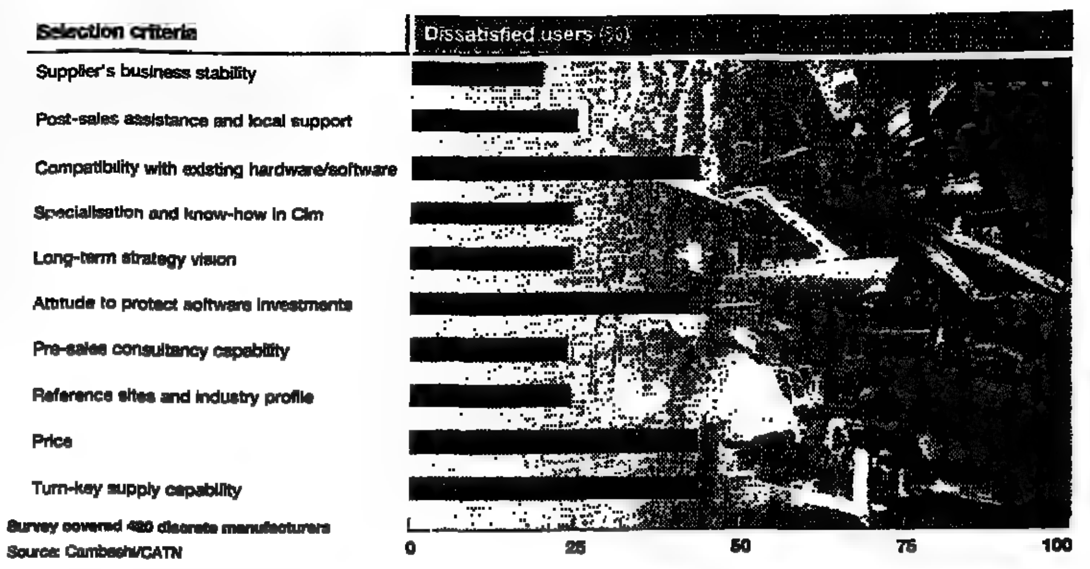
This inability to integrate systems from different vendors is one of the biggest causes of complaints from IT users in the manufacturing sector, according to a report on prospects for computer-integrated manufacturing (Cim) in the European Community produced by consultants Computer Aided Technologies Network (CATN).

User dissatisfaction with software suppliers, the report found, was higher than 25 per cent in some cases. Since a score of 5 per cent is regarded as cause for concern, this is extremely high. While there were few complaints about specific functional solutions, users felt that suppliers lacked the skills, experience and vision to integrate these.

Cultural changes are required by many IT vendors, insists Paul Drath, a consultant with Cambashi, the UK partner in CATN; otherwise, they risk losing business in the fastest growing market across all Cim applications. According to the report, manufacturers in the EC will invest Ecu1.7bn in systems integration in 1995 against Ecu970m in 1991.

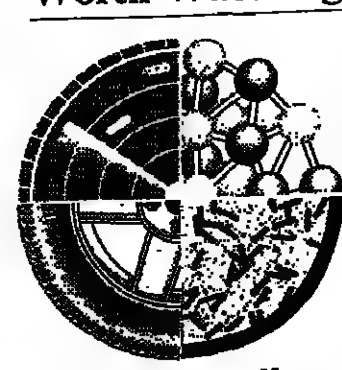
Spending on all Cim applications – technical (design and engineering systems), process automation, logistics and integration – is expected to rise from Ecu9bn to Ecu12bn. The manufacturers want more of this spending to go on satisfying their own needs rather than computer companies' desire to shift their products.

How dissatisfied are the EU's manufacturers with software suppliers?



Survey covered 420 discrete manufacturers
Source: Cambashi/CATN

Worth Watching · Della Bradshaw



Bringing home the Beaujolais Nouveau

US military technology combined with British computer expertise helped Lotus cars bring home the Beaujolais this week.

As the race got under way to bring the Beaujolais Nouveau from Lacernas, north of Lyon, to Margate on the UK's south coast, one of the 55 cars carried a notebook PC which had the ability to plug into US military satellites to help navigate.

The Lotus Esprit S4 was equipped with a Carrera Technology notebook PC with navigation software from Nextbase. Trimble Navigation provided the plug-in equipment to enable the Lotus navigator to pinpoint the car's position on the map of France to within 100m. Carrera Technology: UK, 071 830 0486.

Blue-chip managers need to branch out

The information technology departments in Britain's blue-chip companies are failing to serve the rest of the organisation because of their lack of commercial know-how, according to the latest report from Research International, of London.

The report, "The Changing Role of the IT Manager", identifies the need for IT managers to show more business acumen, and the authors believe there is a need for IT managers to become increasingly involved as a consultant in other areas of the business. The authors interviewed IT and non-IT managers in manufacturing, service and public-sector organisations in the UK. Research International: UK, 071 235 1277.

Calling on stronger phone signals

One of the big drawbacks of cordless telephones can be poor sound quality, which is hard to eliminate because the telephone is usually tuned to a specific channel. But the latest Southwestern Bell cordless telephone, sold by Audioline, can tune in to one of eight channels, choosing the one with the clearest signal.

The eight-channel selector on the IQ FF300 automatically memorises the three strongest channels. Then if the signal suffers, the caller can select the second-best channel, then the third. The caller is even able to change channels during a call. Audioline: 0527 584584.

Pin-sized chip pricks thieves

A tiny microchip, just the size of a pinhead, could help police identify stolen vehicles, computers or mobile telephones.

Developed by Selectamark Security, of Kent, the Selectatag is programmed with a unique identification code – in the case of a car that could be the chassis number. Once programmed, using a hand-held reading and writing device, the tag cannot be changed without the appropriate authorisation.

If a car is then recovered the police can use the hand-held device to read the number. The tiny chip, which is circled by its own antenna, can be read through glass, wood, plastic and in metal from distances of up to seven inches. Selectamark: UK, 0689 860757.

Getting in step with a softer heel

Walking the city streets is a wearing experience for the fittest, not to mention those with ailments which cause painful joints.

James Taylor, of London, the bespoke shoemaker, has devised a shoe heel which the company believes greatly reduces the shock of heel strike while walking.

The patented cantilever heel which can be fitted to all men's shoes and to ladies' shoes with wider heels, is made from hard-wearing moulded rubber with a semi-circular groove around the back of the heel. In the groove are nine small wedges, or cantilevers, each about half the depth of the groove, which prevent the foot from twisting. As the wearer moves, the air-filled groove acts as a cushion. James Taylor: UK, 071 935 5917.

PEOPLE

Schroders' young guard advances

It is the turn of two younger men to head the investment banking division at Schroders, as David Challen, who has run that side for the last four years, moves on with effect from April of next year, acquiring the new title of group director of corporate finance. He does not move onto the main board.

"It is a pretty pressurised kind of business," the merchant bank's chief executive Win Bischoff remarks, adding that executives typically run the area for about four or five years in their early to mid 40s. Challen turned 50 this year.

Challen will continue to be responsible for key UK corporate clients, and will also work on expanding the group's Far Eastern business.

In a surprise move that sees corporate finance director Gerry Grimstone passed over in this round of promotions, 41-year-old Will Samuel and 48-year-old Derek Netherton become joint heads of the investment banking division.

The splitting of the job reflects the overall growth of business and the gathering importance of continental Europe.

The division will now be managed by an executive committee, on which will sit, in addition to Netherton and Samuel, Richard Broadbent, John Reynolds and Robert Swannell.

Stone sinks from Owners Abroad

The departure of the old guard at travel group Owners Abroad continues with the news yesterday that Geoffrey Stone, the finance director, has resigned with immediate effect.

Callers to his office at the group's headquarters were told that he had already left. He could not be reached for comment.

Stone's departure caused few flurries in the travel industry. Two other senior figures had already left earlier this year; Howard Klein, chairman, and Roger Allard, managing director, announced their resignations last July after warning that profits this year would be half market expectations.

One industry observer says of Stone's departure: "I think he felt the writing was on the wall. He felt the new management wanted a clean sheet of paper."

Errol Cossey, one of the few survivors of the old Owners regime, is now deputy chairman and heads both the group's airline and relations with Thomas Cook, with which it has an alliance.

But the top job has so far eluded Cossey.

Michael Julien, former chief executive of the Storehouse retail group, was brought in as non-executive chairman.

Last month, Francis Baron, chairman of Anglo-Saxon Television, was appointed chief executive.

Non-executive appointments

- Richard Scholes, below left, a director of Kleinwort Benson Securities, at BRITISH VITA.
- Rhidian Jones, below right, a partner with Turner Kenneth Brown, at BRITANNIA BUILDING SOCIETY.
- Hamish Bryce, chief executive of *Thorn Lighting*, at HENDERSON STRATA INVESTMENTS.

- Sang Hyuk Park at KOREA *ASIA FUND*.
- Christopher Mack, former director of Christian Salvesen, at EUROPEAN COLOUR.
- Daniel Bejarano, executive chairman of F.D.E.S. Holdings, at CAPITAL INDUSTRIES.
- John Constantine as deputy chairman at TRIPLEX LLOYD.
- John West has resigned from BRIDON because of continuing ill health.
- James Miller, chairman of The Miller Group, and Bill Morrison, recently retired deputy senior partner of KPMG Peat Marwick, at BANK OF SCOTLAND.
- Peter Cawdron, group strategy development director at Grand Met, at COMPASS.
- Alastair Dempster as chairman of TSB GILT FUND on the resignation of Michael Ramsay.
- Robert Jordan, chairman of Philip Harris and former *chief executive* of Foseco, at FABER PREST.

Tax man scores at accountancy firm

Ian Barlow, 42, plans to get his fellow partners out on the road to boost their profile, in his new role as head of tax at KPMG Peat Marwick, one of the final appointments of the new senior team at the UK's second-largest accountancy firm.

He intends developing a strong marketing strategy and is considering ways of exploiting the growing trend towards self-assessment in tax returns.

He also wants to explore means of using the "balanced scorecard", the management technique to measure business performance using a variety of indicators, which he helped introduce to the firm.

Roger White, his predecessor, remains senior UK partner and chairman of firm's international tax committee, but will increasingly concentrate on professional indemnity work at KPMG.

Barlow will take responsibility for strategy, management and other executive functions.

He has a degree in engineering sciences from Cambridge University, and is a chartered accountant with the Institutes in both England & Wales and Canada.

Finance partner for the firm's south east region in 1991-93, he first joined in 1973 and became a partner in 1985. His tax clients have included Granada Group, MFI Furniture Group, Nestlé and Ratners.

Tague travels onwards with Storehouse group

Retail group Storehouse accompanied its interim results yesterday with the news that it had finally appointed Stephen Tague, currently trading director of Allders department stores, as store operations director of BHS.

Tague, 38, is the first permanent appointee to the post since Ann Iverson moved across to become chief executive of Storehouse's Mothercare chain in June last year, although Steve Bedford, group development director, has been standing in for the past year.

Tague began his retailing career with Debenhams as a graduate trainee. He held a number of store management positions before becoming sales controller of menswear, boyswear, luggage, sports and men's shoes.

He then moved on to join Allders International in 1986, first as retail operations director of UK airports. He then spent four years as group buying and merchandising director before becoming trading director of the department stores.

Tague is going to take up his appointment in January, from whence he will have responsibility for BHS's 123 stores, at a time when Keith Edelman, chief executive of Storehouse since August, is keen to expand the chain.

Keith Edelman said yesterday he was aware of the need to strengthen the top management of the group and restore stability after a number of departures and changes.

Interviews are currently taking place for a new group finance director after the resignation of Graham Rider last month. Storehouse expects that an appointment will be made in the new year.

Storehouse is also looking for a new property director - another function that has been fulfilled recently by Steve Bedford - to speed up its store opening programme.

Concert

Jansons and the St Petersburg Philharmonic

The search for hard currency keeps Russian musicians on the road. It is remarkable to think back a decade to a time when the great Russian opera companies of the Bolshoy and the Kirov were virtually unknown in Britain, whereas now their work is the most familiar here of all foreign companies.

To see the St. Petersburg Philharmonic again – Russia's single indisputably great orchestra – is like embracing a close friend after a brief absence. Hardly any British musical venue of importance has failed to welcome it at some point over the last few years: the Proms, the Edinburgh Festival, Symphony Hall in Birmingham – they have visited them all. This was the orchestra's second visit to the Barbican this year alone. Further concerts in 1995 are already planned.

Overkill, perhaps? No, one never tires of playing at this level and with this individuality of character, the latter always the sign of a aristocrat among orchestras. Such a description might once have seemed incongruous. On record in the 1960s and '70s (those raw Russian Melodiya recordings) the orchestra was recognised by its virtuosity and brassy force, a somewhat brash alloy. Now that we have come to know the orchestra in the flesh, the sound seems quite different.

At the Barbican it came across as unexpectedly cultured. Berlioz's *Roman Carnival Overture* was sharp and detailed, but also well balanced, no overplaying from the brass. The smoky luxuriousness of divided strings in Rakhmaninov's *Symphonic Dances* came from the exemplary blend of parts. In all this I assume the players had an influence, as the conductor Mariss Jansons has on occasion allowed other orchestras (notably the Royal Concertgebouw) to be too loud in this hall.

In Sibelius's Violin Concerto the interplay between soloist and orchestra was perfectly judged. Maxim Vengerov does not have a particularly big sound (Anne-Sophie Mutter, in this same concerto recently, was prodigious with tone and colour by comparison) but he feels the music from the inside, knows how to shape a phrase, gives character and meaning to everything he plays. It was a performance that kept eyes and ears on alert.

From Jansons himself one expects nothing less. For decisiveness there is no conductor today to touch him. Every rhythm in the Rakhmaninov was absolutely exact, clipped into place or punched out, as the occasion demanded. The athletic leap in the air that he does on the last chord of each piece only added to the dance-like quality of the playing – a thrilling, dynamic performance that would be difficult to beat. Electricity sizzles from the tips of this man's fingers.

Richard Fairman

Face lift for Portrait gallery

William Packer visits the new Wolfson gallery's inaugural show at the NPG

Reports of the death of the portrait are greatly exaggerated. The works now on view at the the inaugural show in the new Wolfson Gallery of the National Portrait Gallery offer proof of non-extinction. But are they any good? That is another question.

The exhibition, called *The Portrait Now*, celebrates the conclusion of almost two decades of discussion about the development of the gallery and includes works from around the world produced since about 1980. It represents an attempt by the gallery to do the most natural thing in the world after a major refurbishment – to show off, drawing on its own and other public and private collections. Unfortunately, however, it offers rather more than it delivers – the parts being greater than the sum, although it also offers a chance to see the great improvements made to the gallery itself.

About £8m was raised from private charitable funds, trusts and individual benefactors, to which the government added a further £4m for the expansion of the gallery. Founded in 1856 as the first purpose-built portrait gallery in the world, then NPG had long out-grown itself. Throughout the 1980s there was talk of moves and extensions, as opportunities came and went, but at last, in 1988, the issue was resolved by the acquisition of the premises across the road from the Gallery.

The new site houses a new Archive and Library (funded by the Drue Heinz Foundation), and a new Conservation Studio (Headley Trust) and gallery offices. In the main building, the old basement has been converted into an Education Centre (Baring Foundation, Pilgrim Trust, Marks & Spencer), Studio (Clore Foundation) and Darkroom.

The most evident change, however, is to the old Level 1 where the offices and boardroom were, which is now remodelled and made over entirely to the display of the 20th century collection, photography, and temporary exhibitions. The new entrance on the corner of Orange Street at last affords proper access for the disabled (Hayward, and Sports & Arts Foundations).

The temporary exhibitions gallery has been used for this inaugural exhibition. It shows that, whatever may have been said about the demise of portrait painting, the human presence and identity will always be a fit subject for the artist, no matter whether or not he sets himself up as Portrait Painter complete with brass plate on the studio door. But does portrait painting have any vitality left in the late 20th century? The evidence of this selection is that so many of those artists who achieved international fame and fortune in this late period are simply not very good. While the roll call sounds impressive – Baselitz, Penck, Fetting, Schnabel, Clemente, Salle, Bevan, Hamilton... need I go on? – too often the works are less so.

It is one thing to indicate a human face or figure, quite another to resolve it to the point of invoking a unique identity. Such particularity is not necessarily a matter of long and detailed scrutiny, for much may be achieved quickly and with little. Here Bacon and Auerbach, and the less well-known Stephen Finer and Tom Wood, all show works in which the face, the presence, is not so much described as conjured out of the paint. From the Baselitzes and Schnabels we have only infantile indulgence. The less well-known, and those more modest in the face of the task they have taken, on infinitely the more successful and supply the chief pleasures of the show.

Sara Raphael's Gary Sobers is comparatively tiny and densely worked, but none the less powerful and monumental for that. She is as good a portraitist as any we have. Michael Andrews (Serena), Tai-Shan Schierenberg (John Mortimer), John Wonnacott (Ian with Renown IV), Peter Edwards (Seamus Heaney), Avigdor Arikha (Lord Home) all show distinguished works, and Glenys Barton's ceramic bust of Jean Muir is the outstanding sculpture, so deceptively simple, and so profound. The portrait is alive and well after all.

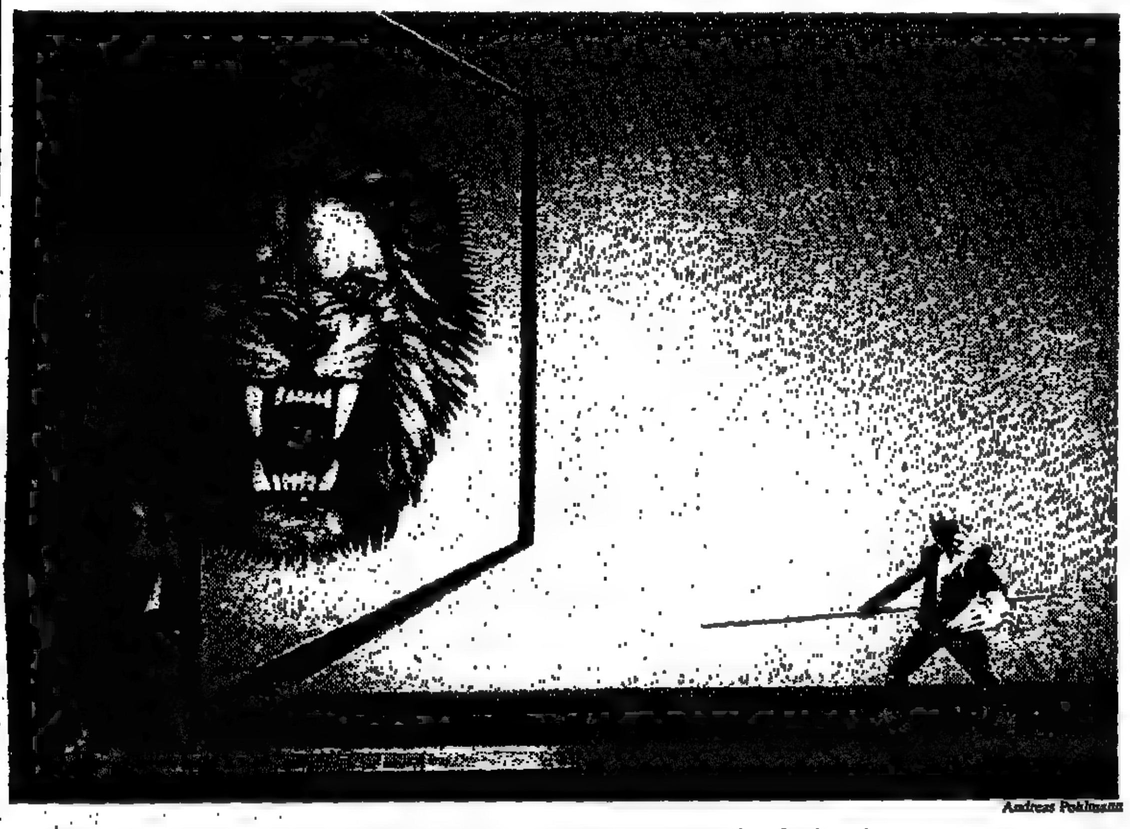
The re-display of the later 20th century collections is a wonderful relief after the cramped regime of recent years. The hang is now, if anything, over-spacious, but a little such self-indulgence quite forgivable for the moment. The arrangement is more or less by category of sitter – politicos, clerics, artists, scientists and so on – and inevitably wonderfully intriguing in its conjunctions, for it is in the very nature of the collection that the aesthetic quality of the work in question is not always, or even, a consideration. One gratifying quality, however, is the way in which the long-term benefit of the annual Portrait Award, sponsored first by John Player and now by BP, is becoming ever more apparent, as its commissions come in to strengthen the collections.

Several of the rooms have been specially endowed, including the Kaye Gallery for science and technology and the Porter Gallery, which is to be given over to recent acquisitions and commissions. The latest include Lord Annan carved by Glynn Williams, Lord Whitelaw by Humphrey Ocean and the Rev Chad Varah by Sara Raphael. The Photography Gallery has been funded by the Elm Trust, and is kicks off with *The NPG Collects* (sponsored by British Gas), a prime selection of recently acquired images from the 1930s to the present day, from Paul Tanqueray to Helmut Newton, and, as subjects, from Evelyn Waugh to French and Saunders.

Dr John Hayes, who has been its director since 1974, retires at the New Year. The present state of the National Portrait Gallery, at last full of works of art and full, too, of life, is a worthy tribute to him and a magnificent legacy to his successor.

The Portrait Now: The National Portrait Gallery, St Martin's Place WC2, until February 6.

Glenys Barton's ceramic bust of Jean Muir



Andreas Pohlmann

The knight and the lion: scene from 'Don Quijote de la Mancha' in Stuttgart

Opera in Stuttgart and New York

Zender's 'Don Quijote'

"Happy New Ears". The greeting comes from the 56-year old German conductor-composer Hans Zender, an increasingly vociferous member of his country's musical avant-garde. As the title of a book of recent essays, it represents not just his disillusionment with traditional forms of opera, but his desire to set music theatre on a radical new course.

Zender's first opera – heavily influenced by his mentor Bernd Alois Zimmermann – was *Stephen Climax* (1986), in which two separate plots unfold simultaneously. Now comes *Don Quijote de la Mancha*, in which Zender isolates five components of opera – speech, song, instrumental music, action and scenery – and subjects them to the maximum number of permutations. The result is "31 theatrical adventures", premiered at the Württemberg State Theatre in Stuttgart and already scheduled for a second staging at the 1995 Salzburg Festival.

This is deconstruction writ large. The 31 scenes unfold like revue sketches, each lasting three to six minutes – except the 16-minute finale to the first half, the only scene in which all five components come together. You have speech without song or action; sound without scenery; action without sound; scenery alone – and so on. Zender gives precise instructions on decor, gesture, timing and rhythm, but says the order and number of scenes can be changed. The only *leitmotif* is Cervantes' eccentric, flamboyant knight, who emerges as little more than a comic cartoon-strip character.

As just one of five equal components, the music is marginalised. It is most effective at its most conventional, as in the flurry of staccato trumpet and horn calls accompanying the windmill scene. Elsewhere, Zender's serialism is unremittingly arid and cool. Voices – including three "readers" – often swamp each other. To sustain interest, the piece relies on visual variety, requiring spans of concentration no longer than a pop video programme.

But in contrast to today's pop videos, *Don Quijote de la Mancha* is all intellect and no feeling. Content is secondary to technique; unity and harmony are replaced by bloodless dissection; art is reduced to a mathematical formula. We have been up the same cul-de-sac before – with Cage's *Europeras* among others. Such experiments, aimed at shaping the future of opera on a super-rational basis rather than organically, serve only to trivialise the human and technical resources of a traditional opera house.

Don Quijote might have more to say in a production showing less respect for theatrical norms. The Stuttgart producer and designer Axel Manthey made no attempt to break the barrier between stage and auditorium, relying instead on a few electronic sound-effects and a sequence of eye-catching stage pictures inspired by Pop Art. Some of the action had a Pythonesque touch, as when Don Quixote and Sancho Panza tried obsessively to duel with their shadows. David Pittman-Jennings and Dieter Bundschuh made a heroic leading pair, backed by 16 other singers and a small orchestra under Bernhard Kontarsky. None of their efforts could mask the work's blatant tedium.

Andrew Clark

Obituary

Lucia Popp

The world of music is mourning the premature loss of one of its most-loved artists, the soprano Lucia Popp, who has died at the age of 54. A particular favourite of British audiences, whether in the opera house (she was a regular feature of Covent Garden casting for 22 years) or concert hall, she made herself known across the globe as one of the warmest and most endearing of musical performers, with a voice, face and stage personality to match.

Czech-born, with a full, clean, silvery high soprano that initially allowed her to draw notice as Mozart's Queen of Night, she quickly moved from a youthful debut (1963) at Bratislava to permanent engagement in Vienna, and thence to the most important international stages. As her voice filled out, the coloratura soubrettes were abandoned and it was as an exponent of the Mozartian and Straussian light-lyric roles – Popp was the most delightful of Susannas and Zerlinas – that she won so many hearts.

With maturity came a range of more weighty, serious characters (Strauss's Arabella and Marschallin, even Wagner's Eva and Elsa), to whom she responded with the depth and naturalness of feeling that was her special characteristic. Though hampered in the later stages of her stage career by hip problems, her dignity and communicativeness were left unscathed.

Popp also blossomed into a recitalist who could grip an audience with her powers of narrative, charm them with a simple lyric or comic portrait, and transport them willingly into territories (Czech, Hungarian and Russian song) beyond the confines of the safe, predictable *Liederabend*. Many records remain to show the breadth of her range as well as the more familiar qualities of her art.

Max Loppert

A Rackham-ish 'Rusalka' at the Met

David Pountney's production at the London Coliseum taught us that *Rusalka* is a white opera set in a Victorian nursery; at the Met it looks rather different. The company has taken over from Vienna and Houston a version by set designer Gunther Schneider-Siemssen and director Otto Schenk. The stage looks vaguely Arthur Rackham-ish, though with all the poetry dissipated by the colouring and the 3D enlargement. There is a good deal of flouncing about in gauzy costumes, and a good deal of rising up from or descending into a pool of glittering plastic. With bumpy follow-spots that emphasize the staginess, this is not a pretty show to look at.

Nor does it sound pretty. John Fiore, who conducts, does so brashly, so that one hears the broad strokes Dvořák borrowed from Wagner, not the delicacy he supplied himself. The unfortunate score is made to appear pretentious, exerting itself in directions it cannot pursue – though one can well understand thatwhen the conductor has to spend three long acts looking at heavy Slavic twilights on stage.

Unhelped by conductor, director or designer, the cast are doomed souls, except for those who use a bit of vigorous character-acting. Among the latter are Wendy White as the arms-akimbo Kitchen Boy, and Dolora Zajick and Sergei Koptchak, whose performances as Ježibaba and the Water-Gnome are strongly drawn. Janis Martin as the Foreign Princess is not in good voice, and Neil Rosenshein never seems a likely Prince. At the opening performance he was in trouble from the start, weak and wayward in pitch, and in the closing scene he almost disappeared from hearing.

Gabriela Beňačková in the title role offers much pleasure, but not quite enough. The creaminess in her singing, though lovely, is too material for a water spirit, and the voice grazes itself when it has to touch to the bottom note or two. She is at her best in the song to the moon, which this ramshackle production leaves standing as a solitary set-piece. All the rest – two and a half acts of it – seems, at best, unnecessary.

Paul Griffiths

INTERNATIONAL ARTS GUIDE

BOSTON ORCHESTRA

As part of celebrations marking his 20th anniversary as music director, Seiji Ozawa brings the Boston Symphony Orchestra on a tour of Europe next month. Sponsored by NEC Corporation, the tour opens in London (Dec 4), followed by Paris (Dec 5, 6), Madrid (Dec 8, 9), Vienna (Dec 11, 12), Milan (Dec 13), Munich (Dec 14) and Prague (Dec 16).

The programmes in London and Paris are devoted to music by Berlioz – with one of the Paris concerts taking the form of a tribute to Charles Munch, the orchestra's chief conductor from 1949 to 1962. Thereafter, most of the programmes are made up of Beethoven's Second Symphony and Mahler's Fourth, with soprano soloist Barbara Bonney. One of the Madrid concerts includes a Double Bass Concerto by 18th century Bohemian composer Johann Baptist Vanhal, with the orchestra's principal bass Edwin Barker as soloist.

The Prague concert, the orchestra's first visit there since 1956, is a programme of Dvorak lollipops, with solo appearances by Yo Yo Ma, Itzhak Perlman, Frederica von Stade and Rudolf Firkusny. It will be recorded for future television broadcast.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum The Ottens Atlas. Ends Jan 30. Closed Mon

BERLIN

Martin-Gropius-Bau Japan and Europe 1543-1929. Ends Dec 12. Closed Mon

Museum für Ostasiastische Kunst Early Chinese Bronzes from the Klingenberg Collection. Ends Jan 9. Closed Mon

Museum für Islamische Kunst Imaginary Animals in Islamic art. Ends Jan 31. Closed Mon and Tues

Aegyptisches Museum Thomas Mann and Egypt: an exhibition of ancient Egyptian artefacts and portraits, together with original documents illustrating Mann's interest in Egyptology and its influence on his novel Joseph and his Brothers. Ends Jan 9. Closed Fri

Brücke Museum Ernst Ludwig Kirchner: drawings and watercolours by the German expressionist painter. Ends Jan 9. Closed Tues

Kunstgewerbemuseum Interior Design in Germany in the 1950s. Ends Jan 31. Dragons of the North: Norwegian goldsmiths' artwork from the turn of the century. Ends Dec 30. Closed Mon

BRUSSELS

Musée d'Ixelles From Giorgione to Tiepolo. Ends Dec 12. Closed Mon (71 rue Jean Van Volsem, tel 511 9084)

DUBLIN

National Gallery Caravaggio's Christ taken into captivity (1602): the painting which hung in an Irish religious college until three years ago is now on public view along with other Caravaggio works on loan from Scotland, England and Italy. Ends Jan 31.

EDINBURGH

National Gallery of Scotland Treasures from the Mesdag Collection: 50 key works by members of the Hague and Barbizon Schools, as well as Corot, Delacroix and Daumier, on loan from the Mesdag Museum in The Hague. Ends Feb 7. Prints of the Barbizon School: 80 prints by the group of French realist landscape painters whose ideas were later taken up by the Impressionists. Ends Dec 19. Daily

FRANKFURT

Städel Rosso Florentino's Madonna with St John as a Child: a newly restored painting by the early 16th century Florentine master can be seen alongside a copy made by one of his contemporaries. Ends Jan 30. Closed Mon

GLASGOW

Hunterian Art Gallery C.F.A. Voysey: decorative designs 1880-1930 showing his outstanding skills as a designer of fabrics and wallpapers. Ends Jan 22. Closed Sun

LONDON

Victoria and Albert Museum Art of Holy Russia. Ends Jan 8. Daily

Accademia Italiana Renaissance Florence: The Age of Lorenzo the Magnificent. Ends Jan 23. Daily

Tate Gallery Ben Nicholson: retrospective of Britain's finest modernist painter. Ends Jan 9. Daily

Royal Academy of Arts Great Master Drawings from the Getty Museum. Ends Jan 23. American Art in the 20th Century. Ends Dec 12. Daily

British Museum Drawings from Chatsworth: 120 works by Dürer, Holbein, Rembrandt, Rubens, Watteau and others. Ends Jan 9. Daily

Marlborough Fine Art Francis Bacon: small portrait studies. Ends Dec 3.

Hayward Gallery Alphonse Mucha: retrospective of the Czech Art Nouveau artist. Ends Dec 12. Roger Hilton: 100 works by one of the most vital British painters of the postwar period. Ends Feb 6. Daily

National Gallery The Wilton Diptych. Ends Dec 12. Ken Kiff: a sampling of the work of the Gallery's second associate artist. Ends Jan 9. Daily

MADRID

Prado Goya: cabinet pictures, sketches and miniatures. Ends Feb 15.

Fundacio la Caixa J.M.W. Turner: drawings and watercolours from the Tate Gallery in London. Ends Jan 20. Closed Mon

Centro de Arte Reina Sofia Vienna 1900. Ends Jan 10. Closed Tues

MUNICH

Kunsthalle der Hypo-Kulturstiftung Winterland: more than 80 paintings by Norwegian painters of the 19th and 20th centuries (including 13 by Munch), showing how the long winter and its effect on landscape has influenced the country's art. Ends Jan 16. Daily

Stadtmuseum Building under National Socialism: a revaluation of Germany's building programme between 1933 and 1945, a period regarded until recently as architecturally worthless. Ends Jan 9. Closed Mon

Akademie der schönen Künste Henri Michaux (1899-1984): 130 paintings and drawings by the French poet and artist. Ends Jan 9. Closed Mon

NEW YORK

Metropolitan Museum of Art Art of Medieval Spain 500-1200: a landmark exhibition comprising more than 200 works of art, including monumental sculptures, illuminated manuscripts, frescoes, textiles and precious objects in ivory, silver and gold. Ends March 13. The Annenberg Collection of Impressionist and Post-Impressionist Paintings. Ends mid-Dec. Master Drawings of the Hudson River School. Ends Dec 26. Closed Mon

Guggenheim Museum Roy Lichtenstein. Ends Jan 16. The main museum is closed on Thurs, the SoHo site on Tues

Museum of Modern Art Joan Miro. Ends Jan 11. Robert Ryman. Ends Jan 4. Closed Wed

Brooklyn Museum Arata Isozaki (b1931): retrospective of the world-famous Japanese architect. Ends Feb 27. Consuelo Kanaga (1894-1977): 120 works examining the work of an American pioneer in social photography. Ends Jan 9. Closed Mon and Tues

PARIS

Louvre The Richelieu wing of the former royal palace, for years occupied by the Ministry of Finance, was inaugurated yesterday as an integral part of the museum. Running along the Rue de Rivoli, it houses collections of Islamic art, medieval art (including the Treasure from the Abbey of Saint-Denis), paintings from the northern schools and French paintings from the 15th to 17th centuries. Three covered courtyards provide the most dramatic innovation: two display French sculpture under gigantic glass roofs, while the third is a reconstitution of two facades of the Assyrian palace of Khorsabad, with its monumental winged bulls. Closed today, but open tomorrow from midday to midnight and on Sunday from 9 am to 6 pm. Thereafter daily except Tues (entry through Hall Napoleon under the Pyramid)

Versailles Versailles and the Royal Tables of Europe from the 17th to 19th centuries: 1000 exhibits of French silverware and Sèvres porcelain. Ends Feb 27. Closed Mon

Musée d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. Ends Jan 2. Closed Mon, late opening Thurs (reservations: 4410 7300 or at Fnac shops)

Musée Eugène Delacroix Delacroix and Normandy: paintings, drawings and sketches illustrating the artist's links with the countryside, cliffs and frescos of region. Ends Jan 24. Closed Tues

Grand Palais Les Nabis. Ends Jan 3. Closed Tues, late opening Wed

Petit Palais Masterworks from Leipzig. Ends Dec 5. Closed Mon

Musée de l'Orangerie Art in Paris at Paul Guillaume's: an exhibition recalling the influential 1920s dealer who specialised in African art. Ends Jan 3. Closed Tues

Centre Pompidou Pierre Chareau (1883-1950): retrospective of the French architect influenced by Cubism and Art Deco. Ends Jan 17. Closed Tues

Bernheim-Jeune Lucien Fontanarosa (1912-75): 60 oils and watercolours by the French illustrator. Ends Dec 18. Closed Sun and Mon

VIENNA

Jüdisches Museum The museum's new premises at the palace in Dorotheergasse will be formally inaugurated on Sunday. The opening exhibitions are a representation of the cultural history of Jewish Vienna (till May 15), and a series of abstract paintings by avant-garde German artist Heinz Mack based on motifs from the Song of Solomon (till Feb 13). Closed Sat

KunstHaus Joan Miro: centenary exhibit of 120 sculptures. Ends Jan 24. Daily

Kunsthalle Gary Hill (b1951): 50 video installations by Los Angeles artist. Ends Jan 9. Closed Tues

Why farmers feel hedged in

Alison Maitland on conflicts over access to the countryside

Mr Oliver Walston, who farms 3,000 acres in Cambridgeshire and is an iconoclast in the agricultural industry, adopts an earthy tone to explain the antipathy of many farmers towards those who enjoy walking across their property.

"The ownership of land is the second most basic human feeling after sex," he says. "Anyone who interferes with that is playing with very strong emotions indeed. Farmers get terribly, terribly upset."

This sense of defensiveness largely explains why some farmers block footpaths on their land by ploughing them up, growing crops over them, building fences or walls across them, or placing a bull in the adjacent field.

And it also explains why yesterday the Countryside Commission, which advises the government on rural issues, launched its "milestones" initiative. Local councils will be asked to set out what action is needed if the commission is to achieve the target it set six years ago of opening and making usable all 120,000 miles of footpaths, bridleways and byways in England by 2000.

According to the commission's last survey in 1988, walkers have a 67 per cent chance of being unable to complete a typical two-mile country hike because footpaths have been obstructed.

Since then, the commission believes local authorities, farming and landowning organisations have been won over to the principle of improved access, but this has not yet been translated into practical steps by all farmers.

A survey last year by the Ramblers' Association found that a large number of farmers were ignoring provisions of the 1990 Rights of Way Act, which made it an offence not to restore public paths and bridleways promptly after ploughing.

Protecting existing rights of way touches a sore spot for some farmers. But Mr Walston goes further. His suggestion is that farmers should allow people to beat new paths of their own choice across agricultural land, provided they close gates and steer clear of crops and livestock.

Mr Walston has posted signs on his farm which welcome walkers and horseriders subject to these conditions. Other farmers, he argues, should follow his lead to overcome the bad image farmers have in the public eye largely because of the scale of grants they receive from the European Union. Direct payments to UK farmers this year will total more than £1.6bn, including £130m for "set-aside", under which farmers have to withdraw land from cultivation to cut over-production.

"What are you going to say when someone asks what you're doing to deserve this?" Mr Walston asks his fellow farmers. "You've got to have a rather better reply than: 'We're being very nice, we're producing food.' "

The response from many farmers to proposals as radical as Mr Walston's has been one of horror. Mr David Naish, president of the National Farmers' Union, accepts that "there are farmers who won't allow people to exercise their rights of way". But, he says, granting total public access would lead to abuse of the countryside by irresponsible elements such as mountain bikers, jeopardise farm safety, disturb farmers in their homes and interfere with nature conservation.

If landowners refuse access on their own terms they could have "very unpleasant" legislation forced on them to strengthen the rights of ramblers, Mr Walston warns. But, at least in the immediate future, punitive legislation seems unlikely. The government's policy is currently to promote greater access and "green farming" largely via the system of agricultural grants.

The Countryside Stewardship scheme, for example, will pay out £10.6m in the 1994-95 financial year to farmers who use more environmentally friendly production methods and allow public access where there was none before. Launched by the Countryside Commission in 1991, the scheme has opened some 200 miles of footpaths and bridleways and about 37,000 acres of land to public access.

Similarly, under plans drawn up by the government in response to reforms of the European Common Agricultural Policy, farmers will be eligible for grants for introducing and maintaining public access to their land in environmentally sensitive areas and in set-aside. That could mean aid for upgrading paths or restoring hedgerows.

Trying to change the behaviour of farmers via subsidies is well tested – and highly successful. Mr Peter Pemberton, of Bidwells, the Cambridge-based land agents says: "It is incredible sitting here in the green 1990s to think that there were substantial grants for pulling out hedges, grubbing out woods, ploughing up pasture, draining marshes, and here 20 years later is the same level of grant for putting them all back again."

It may be that taxpayers are happy to see their money spent in ways that make farming less intensive. A Newcastle University survey published this month suggested that people would be prepared to pay much more for environmentally sensitive areas in which farmers are rewarded for "environmentally beneficial" farming.

But there are potential pitfalls in paying for public access, as the Countryside Commission acknowledges. It accepts that some farmers, particularly in remote uplands, who have no qualms about allowing walkers over their land without being paid a subsidy, might resent payments suddenly being made to encourage others to do same.

Moreover, if public access depends on receiving subsidies, landowners could withdraw that right of access if at a later date the subsidies were phased out.

That partly explains why the Ramblers' Association is pressing for a statutory "right to roam" across open country so that access, once granted, could not be withdrawn at will by the landowner, or when an environmental scheme comes to an end.

"Being a landowner doesn't give you the exclusive right of enjoyment of that land. It's not the same as someone's back garden," says Mr David Beskine, the Ramblers' campaigner on rights of way.

The association is adamant it is not disputing ownership. "We're concerned with having the right to walk over the land, without impinging on domestic privacy or depriving the owner of any income-bearing potential of that land," says Mr Beskine.

The growth in the association's membership from 38,000 to 94,000 in 10 years illustrates the increasing influence of recreational walkers. Mr Beskine says members are increasingly frustrated at the siege mentality of some landowners. Some of their members, and others who have met obstacles during country walks, might prefer more extreme measures – such as the withdrawal of CAP subsidies if public access is not provided to land where it could do no harm.

Joe Rogaly

With respect, ma'am

"My Lords and Members of the House of Commons," the Queen might as well have read out yesterday. "My Government will work day and night, in the hope that if it survives for another year it can float on an incoming tide of economic recovery for long enough after that to win the next general election. To this end, My Government has decided on a holding operation, while it waits for prosperity to return. Meanwhile My Prime Minister has bravely set out to find a political solution to the conflict in Northern Ireland.

"To keep you occupied while these processes work themselves out My Government has chosen 13 bills to put before you. Each has been rigorously selected according to a single criterion – 'Will it command Conservative backbench support?' The new laws may not do much good, but, with luck, they should do little harm. Most of the important bills – on Deregulation, for example, or Law and Order, or Education – constitute a tacit admission that policies pursued by My Government during the past 14 years have failed. Much of the proposed new legislation is designed to put right mistakes made during that period. For example, the lion's share of the 3,500 regulations identified as unnecessary or stifling to enterprise have been promulgated since 1979. What does My Government think it has been doing since then?

"In spite of the revelation by my Secretary for Wales that the Health Service reforms have created new managers at many times the rate of addition of nurses and doctors, My Government proposes to add 'management' to the police services, tinker with the administration of the magistrates courts, and create a new quango to oversee the allocation of funds for training teachers. It does not expect these measures to reduce crime or improve education, but they may serve two useful purposes. They will provide ammunition for populist declarations by Conservative ministers, and they will strengthen My Government's control over traditionally local functions. The revitalisation of local government is not a basic to which My Government intends to go back, although its policy of annual tinkering with local authorities will be pursued with vigour, this time in Scotland and Wales."

Of course Her Majesty could not have said any of the above. Her script was written for her by Mr John Major, whose first ambition it is to reunite his party after a session during which it nearly split irrevocably over the Maastricht treaty. The new parliamentary programme – the speech she actually read – is merely one component of the prime minister's strategy for success. Success? It would be a triumph if the prime minister brought the Tories together and restored the confidence of the electorate in his government.

The new parliamentary programme is one component of Major's strategy for success. Success?

Your guess as to his chances of pulling it off is as good as mine. We may, however, usefully list the other elements of his strategy for political recovery. Step one: the pro and anti European wings of the party are expected to settle around the concordat that he negotiated in the summer and published as an essay in The Economist. The essence of it is to accept the Maastricht deal, but obstruct any further moves towards a European Union that could be remotely mistaken for an embryo super-state. It was carefully prepared. Mr Michael Portillo, the most powerful of the antis, was shown the text a fortnight in advance.

Step two: Mr Major's speech at the Conservative conference last month told the audience what it wanted to hear: that Tories are tough on criminals, severe on "trendy" teachers, and purveyors of common sense. He pursued this line again, to some effect, in his speech in the Commons yesterday. It is not noble, but some voters may fall for it.

Next, we have the economic recovery. Last week's trade figures were less awful than expected. Inflation has been held below 2 per cent for long enough to be convincing; this week's surprise fall in the rate of increase in the retail prices index is a boost for the government. Unemployment has been falling for most of this year. The figures announced yesterday suggest an accelerated improvement in the jobs market. People are still hesitant about the end of recession, but Mr Major puts that down to pre-budget blight. The hesitant mood should pass when Mr Kenneth Clarke announces his tax and spending plans in 11 days.

The chances are that the increases in taxation, and the cuts in expenditure, will have been discounted by the electorate before November 30. Mr Clarke is known to favour getting bad news out of the way as early as possible in a government's term of office, but it would be surprising if his package turned out to be as severe as people seem to fear. The prime minister, who is responsible for the Budget judgement alongside his chancellor, must balance the need to keep his own job next year against the party's need to fight an election before April 1997. Mr Major is not out of urgent danger, but he is not likely to pile on unnecessary bad news now.

That leaves Northern Ireland. Here the prime minister has been bold. He has put himself before the voters as the man in charge of the peace process. He did so in Brussels a few weeks ago, in his Guildhall speech on Monday, in the Queen's speech yesterday morning and, a few hours later, in a careful passage in the debate that opened the new parliamentary session. He has stuck to his tactic of putting the extremists on both sides on the spot. The recalcitrant unionists led by the Reverend Ian Paisley are on notice that if they sulk outside the conference chamber, that is where they will be left. Yet the unionists can veto any new constitutional arrangement. The IRA, and Sinn Fein, its political wing, have been told that it is they, and not the British government, who must blink first. If the IRA renounces violence, then in due course it can be included in the talks.

With that made clear again yesterday Mr Major will now pursue a deal with Dublin, and, through one-to-one conversations, the leaders of the legitimate parties in Northern Ireland. It is the sort of thing he does best. Nobody, not even the prime minister, can gauge his prospects. Gladstone failed. So, in the end, did Lloyd George. Yet Mr Major's brave initiative must be taken seriously. He deserves all-party support for trying. If he succeeds, he will deserve much more than that.

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Chancellor should end food VAT anomaly

From Mr Michael Poynor.

Sir, In his article, "Food industry split on VAT lobbying aims" (November 17), Guy de Jonquières lists many of the anomalies which exist between those food products which are subject to VAT and those which are not. He rightly observes that new product development has made a nonsense of the original decision to exempt all essential foodstuffs from VAT and only charge it on luxury goods. But he concludes that, given political sensitivities and contradictory lobbying from powerful manufacturers, the present all or nothing (zero or 17.5 per cent) system "for all its faults" will survive.

However, in Britain we already have, in effect, an intermediary rate of VAT on food. In 1992, the VAT contributions of Kwik Save – Britain's leading food discounter, not a purveyor of luxury or inessential goods – amounted to more than 7 per cent of its VAT-inclusive food and drink turnover. On food alone, it is in the region of 5 to 6 per cent.

Most British consumers fail to realise that they are paying VAT on any, let alone many, of their food purchases. The chancellor should remove the anomalies and impose a single rate. He may well be tempted, in so doing, to set it one or two points higher than the effective current rate but it should be uniform. To suggest that this would harm the less well-off is unproven; why should Kwik Save's customers or, indeed, those who shop at Fortnum's, pay 17.5 per cent more for their chocolate biscuits than for their chocolate cakes?

With a uniform rate of VAT on food we would also be more in harmony with the rest of Europe. In France, for example, the standard rate on all food items is 5.5 per cent. Now that the pace of European food retailers' cross-border moves has begun to quicken – Tesco into France: Aldi, Netto, Ertaco, Rewe and Lidl into the UK – such harmonisation makes more sense than ever.

Michael Poynor,
associate director, retail, COBA-MID, strategic consultants, 4 Great James Street, London WC1N 3DA

Not a distinguished policy

From Mr Gerald Holtham.

Sir, Readers are accustomed to the Financial Times's support for an independent central bank. International evidence is that fiscal policy is more subject than monetary policy to electoral manipulation. Some economists who favour independence of the central bank face up to the implications of that evidence and call for constitutional restrictions on the ability of politicians to run budget deficits. The Maastricht treaty, with its restrictions on government deficits and debt, is a large step in that direction.

Now, Michael Prowse ("What Nafta says about democracy", November 15) invokes the authority of Hayek to argue that policy on international trade should be insulated from "perverse short-term" political pressures. Mr Prowse prefers Nafta, which he regards as the epitome of "rational" policy, to democracy.

I had not noticed that the numerous undemocratic regimes, of all ideological stripes, that the 20th century has produced were particularly distinguished by their rational economic policy. But the tide is clearly against me and such observations. The British government, in its eagerness to reclaim the benefits of the 19th century, continues with privatisation and proposes the abolition of health and safety legislation. From the FT, I infer that the process will be complete only with the repeal of the Reform Acts. After all, what is the point of universal suffrage to elect a government that must then be restrained from doing anything?

Gerald Holtham,
13 Lansdowne Gardens, London SW8 2EQ

Commercial agents' regulations are not so easy to avoid

From Mr S L Sidkin.

Sir, Your article on the new commercial agents' regulations which implement European laws in the UK on January 1 ("Agents lose jobs ahead of EU laws", November 15) draws attention to the action which is now being taken by many British companies in order to avoid being caught by these regulations.

This action, however, may itself lead companies engaging agents out of the frying pan and into the fire. The reason for this is that some companies are encountering a particular problem when giving notice to terminate.

Unless the notice brings the agency contract to an end before December 31 1993, the commercial agents regulations will apply to the contract. In this case manufacturers, suppliers and importers will be stuck with the benefits provided to agents under existing contracts, plus the consequences which the regulations entail.

In particular, these will be the minimum period of notice to be given to agents and compensation payable on termination. Failure to have given the requisite notice will itself trigger a claim for damages.

S L Sidkin,
Fox Williams, City Gate House, 39-45 Finsbury Square, London EC2A 1UU

No volte face on N Ireland

From Lord Healey.

Sir, Observer's talk of "an impressive *volte face*" in my speech to the Ireland Fund on Wednesday, is odd ("Troops in or out?"). As I said in my speech, we put the troops into Northern Ireland in 1969 to protect the Catholics against the B-Specials. When I walked through cheering crowds down the Falls and Crumlin Roads a few weeks later, I was accompanied by two leading members of the IRA.

The terrorist problem developed in 1970 when Labour lost power. In March 1972 I supported Harold Wilson's decision to talk in Dublin with Joe Cahill of the IRA, and I supported William Whitelaw's official talks with Gerry Adams and Martin McGuiness in July 1972. Perhaps Observer was asleep during this part of my speech. Too much Bushmills?

Denis Healey,
House of Lords, London SW1

Regulation of satellite TV

From Mr David Elstein.

Sir, Ian Hargreaves, in an otherwise thoughtful article, repeated a number of misconceptions about satellite television ("Why the BBC should be privatised", November 13).

First, that satellite broadcasters are not regulated at all. In fact, UK-based satellite broadcasters are subject to Independent Television Commission regulation on programme content and sponsorship, and advertising content and breaks. They are also subject to the Broadcasting Standards Council and Broadcasting Complaints Commission, and to EU directives such as Television Without Frontiers. It is true that ITV faces tighter requirements, but in return receives direct access to 99 per cent of UK homes, inherits a 40 per cent share of TV viewing, and is granted a monopoly on the sale of regional television advertising. This is a trade-off voluntarily accepted by each ITV franchise applicant in 1991.

Second, that ownership rules do not apply equally. In fact, all national newspaper groups are free to set up as many satellite channels as they like, but may not hold more than one 20 per cent stake in an ITV company. This rule applies as much to Lord Blakenham and Conrad Black as to Rupert Murdoch. Similarly, ITV companies may not control satellite stations, nor vice-versa.

Third, that the UK faces a mounting deficit on its broadcasting trade account. In fact, if investment in the 120 ITC-licensed cable and satellite programme services, and in building the cable television network is included, the UK enjoys a huge surplus, and will continue to do so this decade. The source of Mr Hargreaves' flawed statistics clearly excluded this massive investment, but seems to have included satellite movie channel payments to Hollywood studios, which any sensible categorisation would list under film, not broadcasting, in trade calculations.

David Elstein,
head of programming, British Sky Broadcasting, Grant Way, Isleworth, Middlesex TW7 5QD

Drink a day keeps doctor away

From Mr Henry J Pomeroy.

Sir, I wonder which bureaucrat dreamed up the requirement for Britain's already over-worked general practitioners to report twice-yearly on the number of alcoholic drinks consumed by each of their patients?

It could, of course, be a cost-cutting exercise. As the moderate consumption of alcohol can be beneficial to health, perhaps the objective is to encourage increased consumption, thereby decreasing the necessity for visits to the surgery and lowering prescription costs?

Henry J Pomeroy,
director of corporate communications, The Hiram Walker Group, The Pavilions, Bridgwater Road, Bedminster Down, Bristol

FINANCIAL TIMES
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Time to raise, a time to cut

ONE MIGHT have expected the Organisation for Economic Co-operation and Development to have steered clear of the dangerous world of macroeconomic forecasting and short-term policy advice. Its recent forecasting record has been far from impressive, while the world economy seems peculiarly unpredictable at present. Yet, undaunted by past difficulties, the OECD has once more stuck its neck out, using this year's annual report on the US economy to advocate a pre-emptive increase in US interest rates before the end of this year and a two point increase by the end of 1994.

Is the threat of inflation in America's seemingly sluggish economy really that alarming? US administration officials, buoyed up by Mr Clinton's victory on Nafta, will be disinclined to take the advice seriously. For, as the OECD itself points out, America's two-year old recovery has so far occurred at half the rate of the average of the previous five. The OECD expects growth next year to rise to 3 per cent, half the pace of a normal US rebound. Domestic inflation, measured by the GDP deflator, is actually expected to fall from 2.6 per cent this year to 2.3 per cent next.

But might the OECD have a point? The lags in US monetary policy are long and unpredictable, while US short-term interest rates are unusually low for this stage of a recovery – three month money market rates adjusted for inflation are barely positive. If Mr Greenspan, chairman of the board of the US Federal Reserve, wants to beat an upsurge in inflationary expectations, he must be prepared to move at the first sign that expectations are rising.

While the recovery may be sluggish, there have been clear signs of acceleration in recent months: manufacturing output rose 4.4 per cent in the year to October; retail sales were 6.3 per cent higher and house prices are accelerating. Economic growth is, as a result, expected to be above an annual rate of 3.5 per cent this quarter, compared to only 1.3 per cent in the first half of the year.

Yet so far, there is little evidence to suggest that inflationary pressures are building. Long-term interest rates have risen slightly recently but remain low by historic standards. Credit growth is sluggish, wage inflation is subdued and unemployment high for this stage of the cycle. The annual rate of consumer price inflation did rise 0.1 percentage points to 2.8 per cent in October, but producer prices fell 0.2 per cent.

In short, the case for an immediate increase in US rates is hardly compelling. As the OECD also points out, there are a number of reasons to think that growth may remain slow next year. These include the burden of outstanding debt in the personal sector, next year's tax increases, defence cuts, and continued slow growth in US export markets.

If slow growth remains the immediate problem, the same is doubly so for Britain. The UK economy has grown by a mere 2 per cent since the trough of the recession at the beginning of 1992, less than a third of the US rebound after a much deeper recession. Unemployment is falling, but other labour market indicators – wages, vacancies and employment – all suggests that deflationary pressures remain strong. Inflation is both low and falling, and UK short-term real interest rates are not only above 4 per cent but actually higher than they were a year ago.

Mr Greenspan can afford to wait before raising rates. Assuming that the British chancellor is prepared to tighten fiscal policy in his forthcoming budget, Mr Greenspan's British counterparts at the Bank of England can safely cut.

Africa's axis

THE NEWS from Nigeria and South Africa dramatically illustrates the delicate balance between crisis and recovery in Africa. The army reasserts itself in Nigeria and General Sani Abacha removes the country's civilian head of state on the very day democracy wins in South Africa. Both events have profound importance for the two countries, but their significance is broader.

If sub-Saharan Africa is to recover from the disastrous post-independence era, it needs to co-ordinate its efforts and find common interests – whether breaking down internal trade barriers or tackling shared concerns, such as the continent's external debt burden and the need to promote Africa's cause in a more competitive world than greeted newly independent states some three decades ago.

Apartheid's end opens up the prospect of a Pretoria-Abuja axis, linking sub-Saharan Africa's two heavyweights, able to play such a co-ordinating role: putting life into the Organisation of African Unity or presenting Africa's case at the United Nations.

Yesterday's effective deposing of Chief Ernest Shonekan, a former businessman who was attempting to revive a lapsed economic reform programme, is likely to prove not only a setback to Nigeria's prospects for democracy and growth. As one political crisis follows another, the country's economy declines further. The northern partner in Africa's potential axis is becoming an increasingly enfeebled giant, governed by generals from the ranks of a corrupt, politicised army.

Mr Shonekan, who was forced to resign, did not enjoy a legitimate claim to be head of state. If any one can make that claim it is Chief Moshood Abiola, victor of the annulled presidential poll last June. Yet even that process was a dubious exercise in democracy. Would-be presidential candidates were banned, and only two government created parties were permitted to campaign.

But the army's decision to abort the poll and extend Chief Shonekan's term in office had less to do with democracy than a reluctance to surrender power. Although General Ibrahim Babangida, who seized office in 1985, stood down, Gen Abacha took his place, albeit in the background. He now has to explain why he has taken centre stage. He has no visible new economic strategy to offer, for there is no alternative to the one pursued by Chief Shonekan. If Gen Abacha proclaims that he is at heart a democrat, President F W de Klerk and Mr Nelson Mandela have shown there are better ways of demonstrating it. Only when Nigeria takes South Africa's route can their potential partnership become a reality.

Monkey business

THE MOST controversial aspect of yesterday's largely anodyne Queen's Speech may turn out to be its deregulation bill. Cutting red tape is important if business is to flourish. But repealing regulations, particularly those covering sensitive matters such as health and safety, could run into a host of difficulties. The GMB union has already condemned the deregulation initiative as giving business the "freedom to kill".

It is therefore perhaps not surprising that ministers apparently intend to take so-called Henry VIII powers to scrap regulations without having to debate each change endlessly in the House of Commons. Mr Neil Hamilton, the rumbustious junior industry minister in charge of the deregulation initiative, says: "We are planning to clear out the accumulated dross of a number of bills without seeking primary legislation which would clog up parliament."

Mr Hamilton, who describes himself as Mr Michael Heseltine's chief monkey, is to be commended for his enthusiasm. But his apparent desire to sweep away regulations with only scant reference to parliament is more questionable. It is not just that anything which smacks of rule by decree would in principle be objectionable. Ramming through deregulation in sensitive areas without effective parliamentary scrutiny could endanger the whole initiative if even a single death or serious injury could be plausibly traced to unthinking deregulation.

Much, of course, depends on the details of the deregulation bill which is not yet public. While the new ministerial powers will be subject to some form of parliamentary scrutiny process, the exact nature of that scrutiny is not clear. In particular, it is uncertain whether the government plans to use orders to repeal regulations which are written in primary legislation and whether a parliamentary debate would be automatic or only take place if a sufficient number of MPs called for one.

One way of meeting the constitutional concerns might be to establish a new select committee or standing committee for deregulation. This would ensure more effective scrutiny than the current practice, where ministerial orders are debated in the middle of the night, if at all. It would also prevent the parliamentary timetable being snarled up by thousands of small measures. The government might still be concerned that populist MPs would insist on keeping regulations which it believed onerous and unnecessary. But that would be a small price to pay for putting the deregulation initiative on a solid footing.

Another one under his belt

Nafta was a lesson for Clinton on the power of his office, writes **Jurek Martin**

The spinmeisters are having a field day now that Nafta is over and won. President Bill Clinton's fans say he alone pulled it off, demonstrating toughness with his own Democratic party, persuasiveness in argument and shrewd tactical sense in understanding that this was a victory that could only be gained late in the day. He displayed, they said, the sort of resilience against all odds that characterised his election campaign and this means broad sunlit uplands ahead, even in the Washington political swamp.

His detractors are dismissive, saying he was too slow to realise that Nafta might lose, bought it with give-away deals, was bailed out by his vice-president, Al Gore, conqueror of Ross Perot in televised debate, and only survived on the backs of a Republican vote he can never again take for granted.

The truth is an amalgam of some of the above, and more besides. Perhaps the most objective assessment has come, surprisingly, from Senator Bob Dole, the Republican leader, a Nafta supporter but normally the most partisan of politicians.

"I have to say I am impressed," he said hours before the House voted but when victory seemed assured. "I had my doubts but it has become clear that he understands it is important to win and he has not just stuck with it but fought hard and realised what would happen to his presidency he if he failed."

The same could have been said for the budget battle in July and will doubtless be said again when healthcare reform comes to congressional crunch next year. The Clinton presidency, it seems, is destined to live or die on a handful of hard-won votes. It may be a rum way to run a railroad but from Tokyo to Paris these are the tracks on which democratic governments are now consigned to run.

Clinton still does not command the heights of respect that his record might seem to warrant

The clear lesson from Nafta, certain to be duplicated over healthcare, is the extent to which most of the tough domestic issues, taxation only partly excepted, cut completely across party lines. Success or failure depends on amassing a series of shifting coalitions, often with unlikely bedfellows.

Most of the Democrats who sustained Mr Clinton over the budget deserted him over Nafta. A majority of the Republicans, who voted as a bloc against the budget because of its tax increases, supported him on Nafta. Already on healthcare there are more glimmerings of an alliance between the White House and moderate Republicans than with conservative Democrats. Liberal members of the president's own party somehow have to be brought on board, if only to offset the certain opposition of the Republican right wing.

The fault lines in both parties are now very deep. Democratic wounds, especially with organised labour, will take some repairing. But Mr Clinton, always good at political healing, was conciliatory in victory on Wednesday night, as was Mr Thomas Foley, the Democratic Speaker of the House, in the last speech of the great debate. With time the unions will probably retract threats to work against Democrats who supported Nafta. They will fight Gatt, if it comes to them, but with small expectation of success and thus much less effort.

It is no exaggeration to say that Nafta might prove to be the last great stand of the old left. Deprived of the demonology of the Reagan/Bush presidencies and with tenuous peace prevailing in central America, it has been pushed to find great causes around which to unite. Working with Ross Perot and the "America First" brigade cannot have been a pleasant experience, especially since it came up short.

Divisions in the Republican party, contemplating a ferocious contest for the 1996 presidential nomination, are perhaps more profound now that the Cold War no longer provides cohesion. Jack Kemp, who probably will run, and Pat Buchanan, who says he will not again, *slugged it out on TV this week* offering two very different visions of what the party should look like – and both come from its right wing.

One of the more fascinating spectacles of the past two weeks has been the performance of Congressman Newt Gingrich of Georgia, the chief Republican attack dog and almost certain to be its next leader in the House. Not only was he seen co-operating closely with President Clinton, a prospect once considered unthinkable, but he was even nice to some of his less conservative colleagues. He also delivered the goods, in the shape of 132 Republican votes for Nafta. It is a larger question, however, if this bipartisan approach will extend to other issues, above all healthcare.

A clear loser in Nafta was Ross Perot, increasingly perceived as not only just another politician but also a most bad-tempered one. Both parties, especially Republicans, will be relieved at this, but the well of discontent he tapped last year as an independent presidential candidate has not evaporated and there is every chance that he will continue to throw his vast financial resources at issues which catch his fancy, including healthcare.

But it is Bill Clinton who gets the most attention. Here he is, 10 months into his presidency, with two big victories under his belt and a long list of lesser ones yet still unable to command the heights of respect that his record might seem to warrant. This month's off-year elections showed no regard.

Polls this week, admittedly taken before the vote, put his approval rating at generally below 50 per cent. This is the lowest of any president after nearly a year except, curiously, Mr Reagan. Since Nafta seemed so dimly understood by most Americans there is no assumption that Clinton will get a lasting bounce up again. His poll standing seems to rise most when little is happening – as in the summer.

In a TV interview this week, Mr Clinton was typically philosophical. "Any time you try to change as many things as we do, you put yourself on the line. But that's the kind of person I am. I didn't run for president to husband my popularity or to be very limited in my aspirations."

What he might have learned from this struggle, though, is a lesson in the power of his office. All along, even when it appeared well ahead, the anti-Nafta coalition confessed a fear of what might happen if Mr Clinton woke up to this fact, not simply because of the patronage at his disposal but also because of the force of argument he could bring to bear.

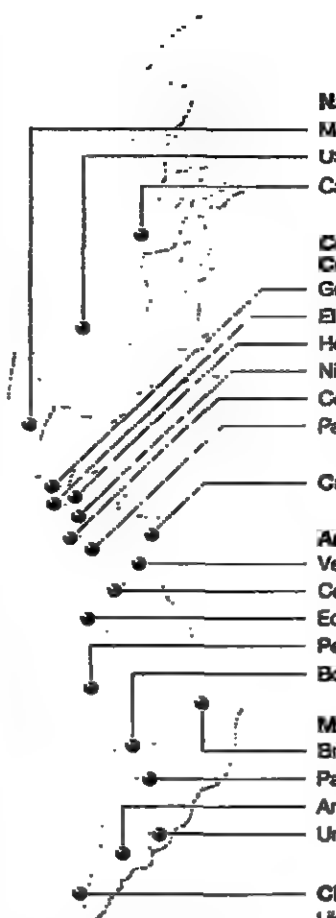
He had been pondering this, too, though for non-trade reasons. A few weeks ago, he held a White House dinner for a small group of intellectuals, including William Julius Wilson, the black sociologist from the University of Chicago. Their advice was the imperative of using the presidency once again as a "bully pulpit", as Theodore Roosevelt once called it and as Ronald Reagan so effectively used it.

Thus, last weekend, at Rev Martin Luther King's old church in Memphis, Mr Clinton delivered a powerful sermon on crime and on the responsibilities of black citizens to arrest the decay of their families and communities. Dr Wilson probably was nodding in approval.

It is a far cry from this message to the legislative complexities of anti-crime legislation and healthcare. Some White House officials *already think Mr Clinton spreads* himself in public too thinly, others want him to impose himself with greater authority on the political culture. Both seem difficult to achieve, given his intellectual and political eclecticism.

Meanwhile, business will go on. Nafta digested and the instant spin spun out, it will be back to healthcare, Bosnia and Haiti, a possible Cabinet reshuffle, a balanced budget amendment, the Gatt conclusion, Apec in Seattle, Nato in Brussels and Yeltsin in Moscow. At least the foreigners now have reason to be impressed.

Hemispheric trade zone? Nafta sets the pace



	GDP/GNP ($bn)	Population (million)
Nafta		
Mexico	333.85	89.54
US	5,950.70	252.69
Canada	569.65	27.44
Central American Common Market		
Guatemala	10.50	9.47
El Salvador	5.97	5.38
Honduras	3.18	5.26
Nicaragua	1.97	4.13
Costa Rica	6.53	3.1
Panama	5.49	2.47
Caricom	12.57	5.42
Andean Pact		
Venezuela	60.43	20.25
Colombia	41.69	33.61
Ecuador	12.66	10.74
Peru*	45.26	22.45
Bolivia	6.06	7.61
Mercosur		
Brazil	394.19	156.25
Paraguay	5.69	4.52
Argentina	228.78	33.1
Uruguay	11.40	3.13
Chile (Likely to seek Nafta accession)	37.99	13.6

Caricom members: Antigua, Barbados, Guyana, Jamaica, Trinidad & Tobago, Grenada, Dominica, St.Lucia, St.Vincent, Montserrat, St.Kitts-Nevis-Anguilla, Belize
* Membership suspended temporarily

Where trade winds blow

Stephen Fidler on Latin America's steps toward integration

Now the North American Free Trade Agreement is as good as ratified, the dream of a hemispheric free-trade zone looks a step nearer to reality. But is it?

The vision of a western hemisphere free-trade area was first raised by former President George Bush in 1990 – and strongly supported by most Latin American governments.

It appeared to herald a less confrontational foreign policy relationship between the US and Latin America than was traditional. In trade terms, it was viewed as an insurance policy in case the world evolved into trading blocs.

In the three years that the US, Canada and Mexico have been negotiating the first step towards that vision – Nafta – the rest of Latin America has not stood still. The region has evolved into a patchwork of free-trade zones and customs unions, overlaid with various bilateral free-trade deals.

Two developments made this possible. First, Latin governments embraced market economics and rejected 50 years of protectionism. Second, the unseating of military governments permitted elected successors to settle border and other rivalries with their neighbours.

So, as the industrialised world has had cold feet over free trade, Latin America has embraced it, unilaterally cutting tariffs to the outside world and its neighbours. Whereas in 1985 the average tariff level in Latin America was 56 per cent, in 1992 it was 16 per cent.

Trade in the region – traditionally low because of high tariffs, import barriers and poor communications – has rocketed. The value of trade among Latin American countries jumped 28 per cent in 1992, reaching a record $19.4bn, following a 24 per cent rise in 1991.

This is already evidence of de facto economic integration. What is less clear is how the formal process of economic integration in the hemisphere will be advanced.

For the US, the idea that in a world of trade blocs it can depend solely on the western hemisphere as its main area of economic influence is far-fetched, as Mr Clinton's talks this week with Asian leaders in Seattle suggest. The US economy is five times larger than all of Latin America's combined GDP of $1,250bn.

Some observers also now believe *that the idea of the US as the centre* of a hemispheric integration effort has been weakened by the process of passing Nafta. "The Nafta vote has advanced Latin American integration, but not hemispheric integration," said Mr Wolf Grabendorf, head of the Institute for European-Latin American Relations in Madrid. The political capital spent by the Clinton administration in securing its passage through the House of Representatives could make it unwilling to pursue further free-trade deals in Latin America for some years.

Questions have also been raised about the benefits of free-trade agreements with the US to most Latin American countries. A 1992 study by two World Bank economists found the only Latin American countries to make significant trade gains from agreements with the US would be Mexico and Brazil.

For the other countries, the main benefits would flow from increased investment and insurance from *unilateral trade measures taken by the* US. Mr Alejandro Foxley, the Chilean finance minister, said yesterday he had been assured two weeks ago by Mr Clinton in New York that Chile would be the next on the US free-trade agenda, but there was no rush to reach a deal. US officials have also cited Argentina and Venezuela in that order as those most likely to follow Chile.

Even though he has kept Chile out of the main South American free trade areas, Mr Foxley said Latin countries should seek greater economic co-ordination to deepen integration within Latin America.

Poorly co-ordinated economic policies in regional groupings have led to friction, for instance, between Brazil and Argentina. Argentina is pursuing an anti-inflation strategy which has brought annual inflation down to single digits, but which has led to an exchange rate appreciation in real terms. Brazil's projected inflation rate this year is about 2,000 per cent and the government has been keeping the exchange rate competitive to encourage exports. The result has been a widening trade gap in Brazil's favour: Brazil now exports to its southern neighbour *twice what it imports*.

The Andean Pact – grouping Venezuela, Colombia, Peru, Ecuador and Bolivia – in September 1992 set up the developing world's first customs union. But not before Peru "temporarily" pulled out, citing in part the competitive advantages that cheap energy offered to industries, particularly in Venezuela. The Central American Common Market has been hindered by Costa Rica's objections to moving closer to its neighbours.

Despite such obstacles, Latin America is unlikely to give up on integration. "We have to follow a two-track process: fighting for a multilateral trade system but building our bargaining power in case the industrialised countries abandon their commitment to Gatt," said Mr Foxley.

OBSERVER

Oiling wheels of research

■ There will be knowing smiles at BP headquarters at the news, expected today, that Sir John Cadogan, who retired last year as BP's research director, is to be director general of Research Councils – the key job in the government's new structure for running British science.

It means that Cadogan, a 63-year-old organic chemist who will be responsible for dishing out more than £1bn a year to support university science, will be reunited with another old BP hand. Bob Malpas, chairman-elect of the Natural Environment Research Council, was a BP managing director during the 1980s.

Former colleagues will be interested to see how Cadogan's super-confident *management style* goes down in Whitehall. One of his achievements at Britain's premier oil company was to introduce a system of cost-benefit analysis to justify R&D spending to the BP board. Hard to believe that the Treasury will be taken in by such high-falutin' figuring when he tries to extract more money for science.

Damned publishing

■ *Britain's cliquey book trade will* be agog at hearing that Terry Maher, recently ousted as boss of Pentos, owner of Britain's second biggest bookstore group, is already at work on his memoirs.

Mind you, putting pen to paper is the easy bit. Finding a publisher could be more difficult, given Maher's long crusade against the publishing industry's biggest perk – the 100-year-old Net Book Agreement.

And if Maher is as rude about rival booksellers as he is about the NBA ("an organised conspiracy against the public's interest") then he might find it hard to get prime place on the shelves.

Early days yet, admits Maher, 58 next month. He has only written 4,000 words and has yet to come up with a snappy title. However, he already has two tomes to his credit – *Counterblast* (1965) and *Effective Politics* (1966) – which date back to when he stood (unsuccessfully) as a Liberal *candidate for parliament. Maher's* enemies in the City and the book trade may be unnerved to hear that he is finding the writing . . . "very therapeutic".

Ready sliced

■ So where exactly is the much-trumpeted British supermarket war taking place? Certainly not in the advertising trenches, where the battle more closely resembles formal jousting *than tooth-and-nail struggle.*

Take the latest advertising campaigns by J Sainsbury and *Safeway. Sainsbury's has recently* cut the price of 300 popular own-label products. Naturally, arch-rival Safeway has quickly followed suit.

But this is a war of total emulation. So, Sainsbury launched its price-cuts with the slogan "Sainsbury's – essential for the essentials". Meanwhile, Safeway's breathtaking innovation was: "Safeway – low prices on everyday essentials". We are further informed that Sainsbury's gives "low prices every week" and *Safeway offers* "everyday low prices".

Ah, the whiff of cordite among the shopping trolleys . . .

'I'm not abusing the right to silence – I'm trying to think of something witty to say'

Noblesse oblige

■ Now that universities and colleges are almost as preoccupied with fund-raising as they are with learning, it was inevitable that someone would publish a book measuring their comparative financial performances.

Thus we have the somewhat pricey – £125 a copy – Higher Education Financial Yearbook, the work of Noble & Co, the small Edinburgh issuing house, which has produced it with the Times Higher Education Supplement.

Noble & Co compiled its data base on higher education through giving colleges financial advice and running business expansion schemes for student accommodation.

The company has always been one of the most imaginative of the small Edinburgh finance houses. It was founded in 1980 by Sir Iain Noble, who earlier launched the Edinburgh merchant bank Noble Grossart with Angus Grossart. The chief executive is Sir Iain's brother Tim.

Sign here

■ Good and bad tidings for Companies House, the repository *of 1m sets of company reports and* accounts every year.

Yesterday its own annual report won the Price Waterhouse award for the best annual report produced by a government agency. And the bad news? Accepting the award, Companies House chief executive David Durham ruefully acknowledged his report would not have been acceptable if submitted by one of his customers. It lacked the auditor's signature – the most common reason his agency rejects accounts submitted.

Don't laugh

■ And well done to Price Waterhouse itself for its Budget Christmas cracker which has landed on Observer's desk. Instead of the usual weak jokes, such as why couldn't the leopard escape from the zoo? (answer, because he was spotted), PW's tax specialists have filled the cracker with famous sayings from Tory chancellors. Bound to raise a few titters are: "Henceforth a zero PSBR will be the norm" (Nigel Lawson, March 1988); "We are likely to see the temporary re-emergence of a public sector borrowing requirement" (Norman Lamont, March 1991). However, Observer's favourite is Anthony Barber's observation in his 1972 budget that VAT has been "deliberately designed with the interests of low income families in mind".

Hope this little cracker doesn't jeopardise PW's chances of winning any more juicy privatisations.

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Brussels warns impasse will damage both industry and the new union

Italy rejects EU steel compromise

By Andrew Hill in Brussels, Robert Graham in Rome and Ariane Genillard in Bonn

A POLITICAL row between Italy and the European Commission over restructuring the west European steel industry erupted into the open last night when a meeting of European Union industry ministers broke up in acrimony and disarray.

The Italian industry minister, Mr Paolo Savona, rejected a compromise deal on subsidies and capacity cuts at Ilva, the loss-making state steelmaker, put forward by the Commission.

Senior commissioners and the Belgian presidency of the EU warned that the impasse would have highly damaging repercussions not only for the ailing EU steel industry, but for the new Union itself.

Mr Martin Bangemann, industry commissioner, said it was a "black day" for the EU, and Mr Melchior Wathelet, Belgian industry minister, who chaired the meeting, said the outcome did not bode well for the relationship between the Union's institutions. Mr Wathelet said he would only call a follow-up meeting of ministers, on December 17, if there was a chance of a deal.

Mr Savona, who was in frequent telephone contact with the Italian prime minister during the meeting, denied that Italy was being inflexible. But its passionate opposition to Commission proposals to cut capacity at Ilva by 2m tonnes is almost certain to be discussed, at least informally, when EU leaders meet for the Brussels summit on December 10.

The Commission and EU presidency also claimed that Italy's intransigence had prompted other ministers to unearth their objections to specific proposals, when agreement on an overall restructuring of the Union's state-owned steel producers had seemed possible.

The Commission had asked ministers to give their political blessing to Ecu6.8bn ($7.8bn) of subsidies to six companies - in Italy, east Germany, Spain and Portugal - in exchange for a total of 5.5m tonnes of capacity cuts. Final agreement on steel subsidies must be unanimous.

Political accord would have put in place the central plank of an EU programme to support the west European steel industry, which is suffering from recession and overcapacity. But in the absence of curbs on aid, private EU steelmakers made clear they would not come forward with proposals to reduce capacity by a further 10.5m tonnes.

A loose coalition of Britain, Denmark, Luxembourg and France is also opposed to elements of the Commission plans for east Germany and Spain.

The Danish and British governments are particularly concerned about the possibility of a new hot rolling mill being built at Ekostahl, the east German steel producer, 60 per cent of which is being offered for sale to Riva, a private Italian steel company.

The Treuhand, which is handling the Ekostahl sale, will add a further element to the complex negotiations today by setting a deadline of next Tuesday for Riva to answer "crucial questions" about the new mill before the sale can be concluded. The agency said it was still in talks with other potential buyers.

Hosokawa achieves go-ahead to reform political system

By William Dawkins in Tokyo

MR Morihiro Hosokawa, the Japanese prime minister, yesterday scored a political victory by winning parliamentary clearance for the first political reforms since the second world war.

The lower house of parliament gave a bigger than expected 270-226 majority to four government bills to change Japan's discredited multiseat constituency system to a mixture of single-seat constituencies and proportional representation.

Donations to political parties will be strictly controlled, in an attempt to halt the financial scandals which have swept Japanese politics over the past few years, and corrupt politicians will be barred from office.

The bills now pass to the government-controlled upper house for final agreement, expected by the end of the year.

Yesterday's vote exposed further splits in Japan's two largest parties, which used to be the postwar political establishment – the opposition Liberal Democratic party and the Social Democratic party, the biggest partner in the seven-party coalition.

Thirteen mainly young LDP members defied party instructions and voted for the bills.

Six more abstained, including former prime minister Toshiki Kaifu, leader of one of the two LDP governments to fall because of failure to enact political reform, and former deputy prime minister Masaharu Gotoda.

Five Socialist dissidents ignored instructions to support the government and voted against the bills, on the grounds that their party will do badly under proportional representation. The Socialist split could widen as the bills pass through the upper house, where the Socialists have a more rebels.

The lower house vote was a remarkable departure from the political tradition of reaching consensus on important laws in backroom negotiations.

Attempts at compromise between the ruling seven-party coalition and the government collapsed on Tuesday, despite compromises offered by Mr Hosokawa, obliging him to resort to a parliamentary showdown.

Once the bills have gone through the upper house, an independent panel will draw up electoral districts for future elections. The timing of the next general election is up to Mr Hosokawa, but most political analysts expect it to come in the second half of next year.

Mr Hosokawa's victory augurs well for his meeting with US president Bill Clinton, a keen advocate of political reform, in Seattle this afternoon.

The Japanese leader is also expected to use the meeting to confirm plans to cut income tax, due to be proposed by a government panel today.

This step could relieve US pressure on Japan to stimulate domestic demand for imports, a way of curbing Japan's politically irksome trade surplus.

Push against old system, Page 8

Volvo backs merger with Renault

Continued from Page 1

As part of its campaign, Volvo has this week brought in analysts and consultants it has used in its own assessment of the merger to impress on shareholders the bleak future facing Volvo's car operations if it does not proceed with the Renault deal.

"Further substantial investments are required for Volvo, singlehandedly, to be able to achieve the profit levels that are demanded long-term in the automotive industry," Mr Gyll said yesterday.

Both Volvo and Renault published their results for the first nine months yesterday, with Volvo, the prospective junior partner in the merger, showing a robust return to profit, while Renault pre-tax profits fell steeply to FFr1.03bn ($170m) from FFr7.5bn.

Volvo announced a pre-tax profit of SKr1.06bn ($129m), a turnround from a loss of SKr707m in the same period last year.

Hurd says UK is committed to Europe

By Roland Rudd in London

MR DOUGLAS HURD, the British foreign secretary, will today outline the government's "wholehearted" commitment to the European Union in a move designed to outline the majority Conservative party's pro-European credentials.

Mr Hurd will attempt to set a new pro-European agenda and implicitly urge anti-Europe rebels to accept that the damaging party battle over Maastricht is over.

He is expected to say: "We have no doubts about our place at the heart of Europe. The UK decided on its European destiny almost a generation ago. There is no need to fight that battle over again. Nor do we need to re-enact the battle of Maastricht."

Mr Hurd's speech follows remarks by three key economic ministers at this week's Confederation of British Industry's conference, which attempted to regain ground lost to the right at the party conference.

The left of the party were dismayed by speeches by ministers such as Mr Peter Lilley, social security secretary, which had drawn applause for attacks on the European Commission.

Mr Hurd is determined that the party should unite round a policy that is "wholeheartedly committed to the European Union" but which is not afraid to argue Britain's interests.

He will tell his audience that the battle to convince Britain's European partners that economic problems will not be solved by increasing regulatory burdens on businesses will continue.

But he is expected to add: "The fact that we argue with our partners in Europe, that we disagree with them on many things, most obviously about the prospects for early movement towards monetary union, does not mean that Europe is irretrievably divided. The days of a divided Europe are over".

The foreign secretary will also argue for an enlarged Europe expanding to the north and east which is in tune with business and with public opinion. And he will claim that the government "is second to none" in its idealism to Europe.

While the speech is aimed at uniting the Conservative party with "a pro-European policy which is in Britain's interests", many members are likely to continue their opposition to closer European integration.

The continuing debate over Britain's place in Europe has led to a warning from Mr Geoffrey Martin, head of the European Commission's UK offices, of "democratic deficit" in Westminster about the UK's future in Europe.

In a speech to Hull University, he said: "Parliamentarians – both in Strasbourg as well as in Westminster – have chosen to allow Euro-mythology a free reign."

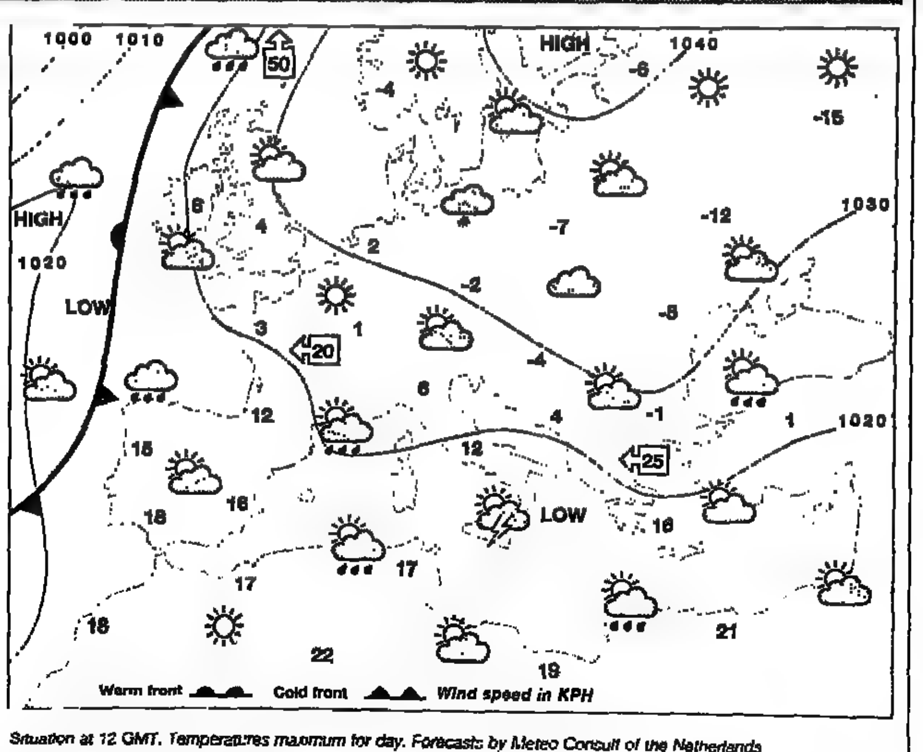
FT WORLD WEATHER

Europe today

A vast high pressure area over north-eastern Europe will dominate the continent during the next few days. Cold air will continue to spread west and south with daytime freezing reaching the Low Countries, north-eastern France, and northern Europe. No significant snow is forecast, although some snow will fall in northern Poland and northern Germany. Some light snow is also possible in Bosnia-Herzegovina later today and tonight. It will be mainly sunny in extreme western Europe with temperatures remaining above freezing. However, a low pressure system over the Atlantic may cause some rain to linger over western Ireland.

Five-day forecast

Cold air will continue to move west during the weekend and early next week. In most of the west, temperatures will continue to drop. From Sunday, the English and Scottish coasts will have some heavy snow or rain showers. In the south, a series of low pressure systems will cause rain and thunder showers from time to time, especially over Italy and most of the former Yugoslavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

City	Weather	°C
Abu Dhabi	sun	31
Accra	thund	31
Algiers	sun	17
Amsterdam	sun	2
Athens	shower	12
B. Aires	shower	22
B.ham	sun	4
Bangkok	fair	33
Barcelona	fair	15
Beijing	sleet	3
Belfast	cloudy	7
Belgrade	fair	-2
Berlin	cloudy	-2
Bermuda	fair	26
Bogota	thund	[illegible]
Bombay	fair	32
Brussels	sun	4
Budapest	fair	[illegible]
C.hagen	cloudy	3
Cairo	fair	23
Cape Town	sun	28
Caracas	fair	29
Cardiff	fair	5
Chicago	shower	6
Cologne	fair	2
D' Salaam	fair	31
Dakar	sun	26
Dallas	sun	20
Delhi	fair	27
Dubai	sun	29
Dublin	fair	8
Dubrovnik	cloudy	10
Edinburgh	fair	7
Faro	fair	18
Frankfurt	fair	0
Geneva	sun	0
Gibraltar	sun	18
Glasgow	fair	5
Hamburg	fair	1
Helsinki	fair	-6
Hong Kong	cloudy	27
Honolulu	shower	27
Istanbul	rain	9
Jersey	sun	6
Karachi	fair	31
Kuwait	sun	23
L. Angeles	sun	22
Las Palmas	sun	22
Lima	fair	22
Lisbon	fair	15
London	fair	5
Lux.bourg	sun	2
Lyon	sun	3
Madeira	fair	21
Madrid	sun	12
Majorca	shower	17
Malta	fair	18
Manchester	sun	6
Manila	cloudy	30
Melbourne	fair	15
Mexico City	fair	20
Miami	fair	27
Milan	cloudy	3
Montreal	rain	5
Moscow	fair	-13
Munich	sun	-5
Nairobi	fair	26
Naples	shower	12
Nassau	sun	29
New York	cloudy	11
Nice	fair	12
Nicosia	fair	19
Oslo	cloudy	-2
Paris	sun	4
Perth	fair	22
Prague	cloudy	-5
Rangoon	fair	32
Reykjavik	rain	6
Rio	sun	27
Riyadh	sun	24
Rome	fair	11
S. Frsco	sun	19
Seoul	rain	13
Singapore	shower	29
Stockholm	cloudy	2
Strasbourg	sun	-2
Sydney	thund	35
Tangier	sun	19
Tel Aviv	sun	22
Tokyo	shower	17
Toronto	fair	7
Tunis	fair	17
Vancouver	cloudy	8
Venice	fair	6
Vienna	fair	-4
Warsaw	snow	-7
Washington	cloudy	13
Wellington	cloudy	18
Winnipeg	cloudy	-7
Zurich	sun	-6

THE LEX COLUMN

Cable connections

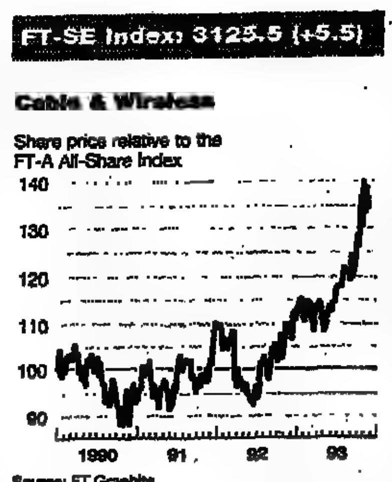
The strength of the dollar against sterling heavily flattered Cable & Wireless's profits in the first half. It also reinforced the importance of Hong Kong Telecom, which is driving not only the company's p&l, but also its stock market valuation. The market value of C&W's properties outside Hong Kong is now at its lowest level for five years. That is a reflection not of the poor prospects for Mercury and the Caribbean but of the overheated level of the Hang Seng index.

C&W is making efforts to diversify, the One-2-One cellular service in London being the latest example. Yet effort over the past two years has been directed at tidying up the balance sheet and staunching cash leakages. Now that C&W is more watertight, and has earned some credibility with the market, it is well placed to take advantage of the opportunities in global telecoms. Since it seems to have a hit with One-2-One, an accelerated roll out might demonstrate that the company is not only capable of housekeeping, but also of putting its full weight behind winners.

Perhaps C&W has been circumspect because the options are so broad. Basic telephony concessions will open up in developing countries, as will opportunities to provide sophisticated services as a second force in western Europe. China remains a great prize on the horizon. In technology, the possibilities range from the expansion of radio services to multi-media. Faced with such a range, a little caution may be in order. C&W is only a medium-sized player. The time is approaching when its management will have to prove it can apply the company's limited muscle where it counts.

FT-SE Index: 3125.5 (+5.5)

Cable & Wireless



Source: FT Graphite

Whitbread

One must beware of Whitbread's tendency to strip pension fund contributions out of its margin calculations. Since the holiday appears over for good, they will be a regular feature from now on. Even so, its interim results show its focus on strong brands and retailing paying off handsomely. There is evidence of organic growth to compensate for the failure to bag Chef & Brewer at a reasonable price, although that also increases the regret that it missed out on the chance to apply its skills to such an enticing opportunity.

For the time being, Whitbread should be buoyed by economic recovery, though, again, it may be overstating the prospects in the southeast where some sales must have been lost permanently to parallel imports. Sooner or later, more strategic decisions loom. The stakes in big companies such as Grand Metropolitan, which it is acquiring with the Whitbread Investment Company, will clearly be sold. Such is the strength of its balance sheet that, were it to sell the regional brewers as well, it would have virtually no net debt.

The natural response might be for Whitbread to buy one of these regional companies such as Boddington or Marston outright. But the purchase of WIC was less a matter of strategic design than a bi-product of the decision fully to enfranchise "A" shareholders. Whitbread's true intentions remain obscure. While it stays in brewing – which may be necessary to secure cask ale brands – any addition to its pub estate will be complicated by competition rules. Whitbread is adding to its network of budget hotels. It may move more into leisure. Happily it need not hurry to decide.

Nafta

Relief over Nafta's passage through Congress is not confined to the Clinton Administration. Financial markets, too, have been spared a nasty shock, but that does not give them much of an excuse to forge ahead as yesterday's Wall Street reaction showed. Nafta will not change the perception that US equity ratings are stretched or that bond prices are vulnerable to signs of inflationary pressure. Indeed, given the existing trade agreement between the US and Canada and the low average Mexican tariffs on US imports, Nafta will do little to alter short run US growth expectations. Its main impact is psychological. Inevitably, expectations for a successful Gatt deal will grow. Ironically, though, Nafta – and regional trade policies generally – were always seen in the US as an alternative to the Gatt. With such a fall-back in place, the US Congress may have less incentive to accept a Gatt agreement, which in any case depends heavily on an end to French intransigence.

The big winner ought to be Mexico. The relative impact of Nafta on its economy, which is only 5 per cent that of the US and Canada combined, will be considerable. But Mexican equities had already risen sharply in the run-up to the vote and the overvalued peso is a cloud on the horizon. As the excitement wears off, there may be a temptation to sell on the good news south of the Rio Grande too.

Storehouse

A crisis of confidence has shaken the Storehouse recovery story as the market has fretted about September's warning of a slowdown in BHS's sales growth and the latest disappointments at rival Burton. But Storehouse helped soothe the doubters with its strong profits progress at the half-way stage. Unlike Sears and Burton, shackled with tired old chains, Storehouse yesterday showed there is life left in its BHS and Mothercare chains after all. Ironically, its failure to exploit these businesses in the past has left scope to expand them in future.

BHS plans to open 40 more sites and now has the financial muscle to fund its ambitions. Mothercare is also growing better at peddling pushchairs to the cooing classes. Yet its operating margins languish below 1.5 per cent and can only head one way. That latest promise, though, will take longer to fulfil than previously assumed. Pricing and margin pressures are unrelenting, with the resurgent Marks and Spencer being beastly to others on the high street. Moreover, it will prove far trickier for BHS to raise profits by growing sales than by hacking at its distended cost base. The remote threat that the chancellor may extend VAT to children's clothing could further unsettle Storehouse in the short run.

Yet the management appears to have the measure of the challenge with stability becoming its watchword. It would certainly help if the new finance director, once found, did not disappear out the revolving door as fast as the previous four have done.

INSIDE

Volvo in profit but Renault falls 86%

Volvo, the Swedish manufacturing group planning to merge its core car and truck operations with France's Renault, surged back to surplus, but the depressed European car market led to an 86 per cent fall at Renault. Page 20

Italian icon for Indonesia
The Lamborghini sports car group, an icon of Italy's business heritage, has been sold by Chrysler, its US owner, to Indonesian buyers. Page 22

Australian banking recovers
Further signs of the recovering fortunes of the Australian banking sector were evident yesterday. Page 24

Pennzoil sells Chevron stake
Pennzoil sold half its stake in rival US oil and gas group Chevron, raising more than $700m. The transaction, which pushed Chevron's share price down 4 per cent to $89¾, gives Pennzoil a $171m profit. After the 8.2m share sale, Pennzoil still hold 9m Chevron shares, or 2.6 per cent of the company.

Gold miners rush to the Andes

A group of big-name international mining concerns is hard on the heels of Denver-based Newmont Mining's hugely successful gold venture in the north-central Peruvian Andes. Page 30

Food for thought from Whitbread
Whitbread, the UK brewing, retailing and leisure group, surpassed expectations with a 13.4 per cent increase in profits. The best results came from pubs focused on the sale of food. Page 26

Amstrad sees no boom
Mr Alan Sugar, chairman of Amstrad, the UK consumer electronics group, warned there was no evidence of a pre-Christmas spending boom in Britain's high streets. Page 20

Concern at Lloyd's
Concern is growing at the Lloyd's of London insurance market about the future of syndicates managed by one of the largest agencies, following a breakdown in merger talks. Page 20

Airtours sale boosts Hogg Robinson
Hogg Robinson, the UK business travel, financial services and transport group, said the sale of its travel agency chain to Airtours last June helped boost half-yearly profits. Page 29

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Berliner Bank	454.5	+	8.5
Degussa	431.5	+	7.5
Kali & Salz	148.5	+	7.5
MAN	348.7	+	7.7
Varta	329	+	9
Falls			
Altana Ind	641	-	9

NEW YORK ($)

Rises			
Browning Ferris	23⅝	+	1¼
Conner Periph	13⅝	+	1⅛
Mexico Fund	29⅛	+	⅝
Ntn Telecom	29	+	1½
Falls			
Chevron	88½	-	4½
Storehouse	200	-	17

New York prices at 12:30.

PARIS (FFr)

Rises			
Dollfus Mieg Cie	324.9	+	11.8
Interbail	539	+	17
LVMH	3770	+	128
Radiotechn	333	+	12
Roussel-Uclaf	721	+	24
Falls			
Orsan	162.4	-	8.6

TOKYO (Yen)

Rises			
Hitachi Sales	548	+	27
Nippon Shinpan	955	+	42
Nisshinbo Ind	931	+	29
Takasago Tekko	370	+	49
Falls			
Catena	2570	-	330
Okuma Corp	640	-	46

LONDON (Pence)

Rises				Apollo Metals	85	-	5
BPB Inds	285	+	10	Babcock Int	28¼	-	3½
Bett Bros	101	+	6	Bolton	24	-	5
Bristol Scotts	93	+	19	Locker (T) A	17	-	3
Calor	305	+	12	Merchnt Retail	12	-	3
Hickers	51	+	5	Porter Chadbn	15	-	3
Int Busn Com	143	+	8	Racal Elec	198	-	14
Ivory & Sime	151	+	11	600 Group	38	-	6
Lloyds Chem	306	+	13	Tiphook	44	-	4
Perpetual	730	+	35	Trio Hldgs	51	-	10
Storehouse	200	+	17	Weir Group	286	-	14
Wichaw	45	+	3½	Young (H)	47	-	5
Falls							
Amstrad	43	-	10¾				

Profit aimed for in 1994 ■ New board structure ■ Move to computer services

Bull to announce restructuring

By John Ridding in Paris

MR Jean-Marie Descarpentries, who took over as head of Groupe Bull last month, will today unveil plans to restructure the loss-making French computer group with the aim of returning it to profit next year.

The plans, which will be announced to employees, include the creation of a new senior executive board, the establishment of new operating divisions and a shift in strategy towards computer services. The aim is to prepare the group for privatisation as quickly as possible.

The planned reforms face a tough challenge. The computer group lost FFr1.98bn ($330m) in the first half of this year and required a FFr7bn capital injection from the government, announced last month, to help cover its accumulated deficits since 1990.

Mr Bernard Pache, who was replaced as chairman by Mr Descarpentries, had targeted 1995 as for a return to profit.

The new group structure will comprise three service divisions and four product divisions. The service divisions, which are seen as the principal area of development for the company, include systems integration, computer services and systems operations. These involve the expansion of maintenance and support activities for Bull's clients as well as for clients of other computer manufacturers and the outsourcing of computer services.

The product divisions will include Bull's activities in the manufacture and distribution of personal and mainframe computers.

The group will also seek to expand sales of software through the establishment of new sales teams. The new divisions involve a substantial restructuring of the company. There will no longer, for example, be a central R&D organisation.

The top management structure is also being reformed. Mr Descarpentries will preside over a 10-member executive board. This will bring four new members to senior management, while two existing members of the executive board are expected to leave.

Mr Descarpentries is also drawing up measures to cut salary costs and non-salary expenses. The group has previously announced plans to implement 6,500 job cuts by the end of next year.

The aim of the various measures is to decentralise management and increase efficiency. Each new division will be responsible for profits and will encompass the group's existing geographical operations.

C&W advance helped by Hong Kong performance

By Andrew Adonis in London

CABLE & Wireless, the UK telecommunications group, reported a 30 per cent increase in interim pre-tax profits to £508m on the back of strong performance by Hong Kong Telecom.

International traffic from the colony was up 24 per cent on last year, with a net addition of 80,000 exchange lines. Traffic with China increased by 32 per cent, representing nearly half of total international traffic.

C&W's results, for the six months to September 30, were lifted by exchange rate movements, without which pre-tax profits were up about 10 per cent.

Turnover advanced 24 per cent to £2.33bn, with Hong Kong Telecom - 57 per cent owned by C&W - accounting for nearly half, and most of the profits advance.

Mercury, C&W's UK subsidiary, increased turnover by 24 per cent to £701m ($567m). Mercury has begun to make inroads into BT's residential market, with 46 per cent more lines installed than last year and a 30 per cent increase in call volumes.

C&W claimed that demand for Mercury One-2-One, its cellular mobile joint venture with US West launched in the London area in September, was outstripping the availability of handsets. Lord Young of Graffham, chairman, said Dixons, the electronics retailer, had wanted 20,000 to sell in the Christmas period.

However, at £90m Mercury's operating profit was only 5 per cent ahead of last year. Profits were depressed by the building of new networks, including One-2-One, the cost of launching Mercury's fixed-wire service into the domestic market, a £5m contribution to the pension fund, and failure to agree a new inter-connect deal with BT, which will provide Mercury with a substantial rebate backdated to June 1992.

Lord Young said Mercury intended to pioneer a wireless local network, linking existing "fixed-wire" subscribers to its long-distance network. At least two pilots are scheduled for next year. If successful, the initiative could allow Mercury to by-pass BT, intensifying UK competition.

Hong Kong Telecom will trial a video-on-demand service next year, which also has implications for the UK market, where BT plans a video service.

Lord Young said China remained C&W's medium-term priority.

Earnings per share rose to 11.1p (9p). An interim dividend of 2.8p per share was declared, a 9 per cent increase on last year.

Lex, Page 18

Sony falls 53% due to rising yen and weak markets

By Michiyo Nakamoto in Tokyo

WEAK markets in Japan and Europe and a sharp appreciation of the yen led to Sony, the Japanese consumer electronics group, suffering a 53 per cent decline in interim pre-tax profits.

The company's poor business performance in the half year to September is a clear indication of the extent to which consumers in two of its leading markets are holding back on electronic product purchases because of the uncertain economic outlook.

Sony saw a sharp downturn in sales of audio-visual products, in particular camcorders and video equipment for professional use, which was not offset by the rise in sales of electronic devices and information equipment.

Japan and Europe were depressed but the US and south east Asian markets were relatively buoyant, Sony said.

Some 65 per cent of Sony's turnover arises outside Japan and consequently the group suffered from the yen's strong rise. Sales overall declined by 11 per cent to Y852.6bn ($7.96bn), compared with Y959.2bn last time.

The yen's strength was also reflected in an 83 per cent fall in operating profits to only Y2bn from Y11.7bn previously. Sony said the yen's rise cost the equivalent of about Y74bn in sales.

However, non-operating income helped lift profits to Y17.13bn at the pre-tax level, which was down 53 per cent from Y36.63bn. Sony also had an extraordinary gain of Y1.08bn from the sale of part of a stake in a telecommunications company.

The group did not expect quick recovery in the trading environment, given the economic situation in Japan and Europe and currency fluctuations.

It forecast a 30 per cent drop in pre-tax profits for the full year to Y32bn on sales down 5 per cent to Y1,760bn. It planned to accelerate overseas production, while capital spending for the year would fall by 12 per cent to Y220bn.

On a consolidated basis, first half 1993-94 sales were Y938.4bn, down 9 per cent. On the same basis, pre-tax profits were Y18bn, up 41 per cent from Y12.8bn as a result of gains on foreign currency hedging.

Sony's US business was particularly buoyant and on a local currency basis sales of electronic consumer goods were up 17 per cent, records were up 30 per cent and films were up 22 per cent.

Nintendo shows signs of slowdown

NINTENDO, Japan's leading manufacturer of video games, yesterday showed the first signs of a slowdown after 10 years, when it announced interim pre-tax profits 24 per cent lower than a year ago at Y61.07bn ($565.2m), compared with Y80.25bn, on sales that were 6.2 per lower at Y260.18bn. The forecast for the full year to March is no better, with a pre-tax profit of Y121bn on sales of Y500bn expected, compared with Y163.80bn and Y562.70bn respectively.
Analysis, Page 23

Horsham raises $550m for acquisition

By Bernard Simon in Toronto

HORSHAM, the investment holding company controlled by Canadian entrepreneur Mr Peter Munk, has raised US$550m through a debenture issue as part of its groundwork for a significant acquisition.

Mr Munk has indicated for some time that Horsham was eager to add another leg to its controlling interest in gold producer American Barrick, its 100 per cent stake in Clark Oil, a US mid-west refiner and marketer, and its most recent foray into property development on the outskirts of Berlin, Germany.

Barrick, whose crown jewel is the Goldstrike mine in Nevada, has also indicated an interest in broadening its horizons. It has become increasingly active in gold exploration in Latin America, and is also seeking opportunities in Asia, including China and Indonesia.

The debenture issue has been structured in a way which enables Horsham to use its stake in American Barrick to raise relatively cheap funds.

The 25-year securities carry an interest rate of 3.25 per cent, but are indexed to Barrick's share price. They are convertible into Barrick shares or redeemable for cash after five years, at the option of the company.

Horsham will retain its 20 per cent interest in Barrick for the time being, but it has deposited one-third of its 60m Barrick shares in trust in the event that it decides to allow debenture-holders to convert into Barrick stock.

The debentures have been bought by an underwriting group led by RBC Dominion Securities. They will not be distributed in the US. Horsham has up to now had no debt at the parent company level. It also has cash reserves of over US$200m.

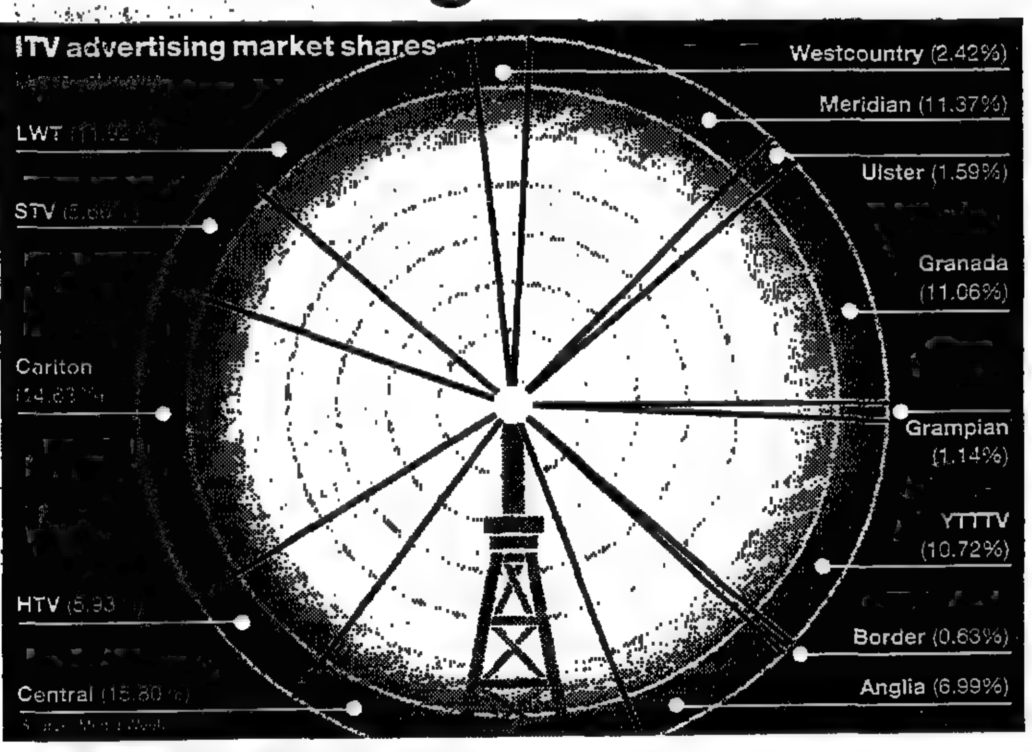
One US analyst suggested yesterday that the diversification drive has been accelerated by disappointment at the progress of the German property venture, which involves the development of a 600-acre business park.

The search for an acquisition, probably in North America, is being led by Mr Greg Wilkins, formerly Barrick's chief executive officer. Mr Wilkins is now in charge of a new Horsham corporate strategy group.

Horsham's share price was unchanged in early trading on the Toronto stock exchange yesterday, but Barrick fell 75 cents to C$38.

Raymond Snoddy describes a potential takeover frenzy in UK commercial television

ITV predators get on the starting blocks



The Independent Television Commission has warned that if the UK government liberalises the rules on ITV ownership, deal-making of "scramble for Africa" proportions could break out in the commercial broadcasting system.

The scramble could begin today. All the signs are that the government has accepted the argument that there should be a measure of consolidation among the 14 ITV companies and that the nine so-called "large" ones should be able to take each other over. By international standards most ITV companies are tiny. For instance, HTV - with a market value of £58.5m ($87m) - is defined as a "large" company under existing legislation.

Protection for the regional interests of Scotland and Wales will mean that HTV and Scottish are to be excluded from takeover by one of the big nine, although they could be taken over by another EU company.

Limits will also be set to prevent too great a concentration of power, in particular ensuring that no one company will be able to own both the London weekday and the London weekend licence.

At least half the ITV system is waiting nervously for the starting pistol to be fired. Some are predators waiting to pounce, others are already flinching from the expected attack.

However, if the new rules are drawn tightly, very little might happen. If, for example, takeovers are banned that push combined advertising market share over 25 per cent of total ITV revenues, neither Carlton Communications nor Granada could acquire Central, and Carlton could probably not take over Yorkshire-Tyne Tees.

To open the way for significant changes of ownership, the rules would have to allow a single company to own two large licences plus one small one. It would also have to set the market share limits at 25 per cent of all conventional television advertising. If the revenues of Channel 4 and GMTV are included, the breakfast company, the large companies would be able to take each other over, apart from the London restriction.

If, as seems likely, the Government has avoided going for the most restrictive stance, Yorkshire-Tyne Tees could be the key to a multi-dimensional puzzle.

LWT, which in May bought 14 per cent of Yorkshire-Tyne Tees, may decide that its only chance of an independent future lies in carrying out a pre-emptive strike on the Leeds-based company. The aim would be to buy two licences in one swoop, thereby preventing any other ITV company mounting a takeover. The hope would be that enough cost cuts could be made to cope with the Yorkshire group's payments to the Treasury, which run at more than £1m a week.

However Granada, already the owner of 20 per cent of LWT, may also make a pre-emptive move on the London station.

Mr Guy Lamming, an analyst at James Capel, foresees "horrendous situations" where companies launch share-financed takeovers, while the value of the paper keeps being driven upwards by bidding for the bidders.

Granada and Carlton both have the financial muscle to be dominant players. Granada would like either LWT or Central, and would rather have Yorkshire than nothing. However, Mr Gerry Robinson, Granada chief executive, is understood to be reluctant to pay any more of a premium than has already been injected into share prices by the pre-liberalisation leaks.

Carlton would obviously like to own Central, in which it already holds 20 per cent. Second prize would be Anglia. Central itself, which many analysts see as undervalued, is planning acquisitions of its own.

When the music stops a form of chaos might reign with most of the major players owning bits of each other and, rather like the game of Monopoly, further swaps and rationalisation may be needed.

ITC chairman Sir George Russell would have preferred a further period of calm before the "scramble for Africa" began. Given that calm is now unlikely - barring last minute changes of mind by politicians - Sir George, it is believed, would like to see three or four dominant players, each taking a small ITV company under its wing.

Renault earnings down by 86% at nine months

By John Ridding in Paris

THE DEPRESSED European car market led to an 86 per cent fall in pre-tax profits at Renault for the first nine months of the year, despite reduced interest payments and a strong contribution from financial subsidiaries.

Pre-tax profits amounted to FFr1.03bn ($174m), compared with FFr7.51bn a year earlier. The decline in the first six months continued through the third quarter. Sales for the nine months were FFr124.19bn, down 8.3 per cent.

Renault warned of continued gloomy prospects for the car market. "The European car and truck markets do not at present show any indication that a recovery might materialise between now and the end of the year," the company said.

However, motor industry analysts said Renault was coping better with the fall in demand than most of its rivals. "Renault is still in profit," said one industry analyst, adding that "the sharp decline is partly a reflection of the record profits achieved in 1992". He said the results were largely in line with expectations.

Renault made no comment yesterday about its merger plans with Volvo. But it said that existing shareholdings in the Swedish group's car and truck operations made a loss of FFr344m in the nine months compared with a deficit of FFr478m last year.

Renault said that despite the 15.4 per cent contraction in the European car market in the nine months it had maintained its total market share at 10.5 per cent. In European trucks, it increased its share from 9.1 per cent to 9.4 per cent.

The nine-month results included exceptional charges of FFr728m, largely comprising restructuring costs but not including charges relating to plans to cut 1,423 jobs at RVI, the truck and bus operation.

Financial charges fell from FFr809m to FFr260m.

Accounting move lifts Volvo

By Hugh Carnegy in Stockholm

VOLVO, the Swedish manufacturing group planning to merge its core car and truck operations with France's Renault, yesterday reported a pre-tax profit of SKr1.06bn ($128.8m) for the first nine months of 1993, surging back to surplus from losses totalling SKr707m in the same period last year.

Virtually all of the profit was attributable to a SKr1.05bn bonus from a change in accounting of tool costs made to bring Volvo into line with international automotive industry practice.

But a halt to the trend of sliding car and truck sales, a boost from the devaluation of the krona and efficiency gains helped produce a result ahead of most analysts' forecasts.

Mr Sören Gyll, chief executive, said the full-year currency effect would be about SKr1bn. He said the positive earnings trend was expected to continue for the rest of 1993.

Group sales rose to SKr73.5bn from SKr58.8bn, while operating income swung to a profit of SKr445 from a loss of SKr1.5bn.

This profit was inflated by SKr570m from the accounting change, but still reflected an improvement in operating income of SKr1.4bn.

Volvo said all divisions showed an operating profit. Car sales increased in value by 25 per cent to SKr39.8bn, with unit sales increasing. The truck division posted an operating profit of SKr183m, compared with a loss of SKr586m last time, and increased unit sales by 2 per cent.

Volvo's share of Renault's income stemming from its cross-holdings in the French group fell sharply to SKr321m from SKr1.02bn but its share of income from Procordia, the pharmaceuticals and food group it jointly controls with the Swedish government, grew to SKr1.52bn from SKr887m.

Christiania plans share issues

By Karen Fossli in Oslo

CHRISTIANIA BANK, the state controlled Norwegian bank, is to be pushed more fully into the private sector with share issues which will raise between NKr1.8bn and NKr2.2bn ($297m).

The bank was taken over by the state two years ago following massive losses. It plans a private placement of 118m ordinary shares with institutional investors abroad and in Norway and a domestic public issue of 27m shares. The issues will go ahead in December.

CBK is the second biggest bank in Norway. Private shareholders, which currently hold about 9 per cent of CBK's capital, will be entitled to an allocation of new shares sufficient to maintain their respective stakes, but will be given no pre-emptive rights.

An NKr850m subordinated state loan is to be converted into 121m shares at NKr7 each, conditional on the success of the issues, thus reducing the state's CBK stake to 69 per cent.

The state has agreed that it will not dispose of any of its CBK shares until six months after the conversion.

The issues will boost CBK's capital adequacy to 11.7 per cent from 8.6 per cent of risk-weighted assets. Core capital will be lifted to 5 per cent of total capital from 3 per cent.

"The share issues signal the start of a new phase for the bank," said Mr Borger Lenth, managing director. Credit Suisse First Boston has been appointed global co-ordinator of the offering.

Breakdown in talks on Merrett syndicates

By Richard Lapper in London

CONCERN is growing in the Lloyd's of London insurance market about the future of syndicates managed by Merrett Group, one of the largest agencies, following news yesterday of a breakdown in talks between Merrett and the larger Archer Holdings.

Merrett Group has been hit by a collapse in its support from traditional Names – individuals whose assets have traditionally supported Lloyd's – and the failure of a US plan to provide corporate backing.

It emerged earlier this week that Travelers, the US insurance company, had withdrawn a plan to underwrite business alongside the Merrett syndicates on a so-called "consortium" basis. Travelers also intended to take a stake in the underwriting agency.

It is now feared that one of the largest syndicates, number 418, may have insufficient capacity to continue underwriting next year and other syndicates could be forced to close, putting the the underwriting agency itself at risk.

"It will leave a big hole in the market," said a spokesman for Lloyd's.

Agents have channelled only about £60m of capacity (capital supporting insurance underwriting) to 418, an amount equal to about a third of this year's level and well short of the minimum needed to continue. Other Merrett syndicates have also suffered a sharp fall in capacity.

Merrett had sought a deal with Archer in order to persuade members' agents to offer more backing.

Archer, one of two agencies with a full stock exchange listing, yesterday said "senior executives of the Merrett Group approached the Archer Group with a proposal that the management of the Merrett on-going syndicates should be assumed by Archer group companies". But after "brief discussions, Merrett Group's chief executive was informed on Tuesday this week that the Archer Group was not interested in taking the discussion further".

Ericsson posts nine-fold advance

By Christopher Brown-Humes in Stockholm

ERICSSON, the Swedish telecommunications group, yesterday unveiled pre-tax profits of SKr569m ($69m) for the third quarter of 1993, a nine-fold increase from SKr63m in the same 1992 period.

Surging sales and intensive cost cutting lie behind the upturn, which drove up profits for the first nine months to SKr1.86bn from SKr122m.

A strong improvement in the company's performance is expected in the final three months, when the impact of the 25 per cent drop in the value of the krona will be felt more strongly as hedging programmes expire.

The company expects its 1993 result will be "somewhat more than double" last year's SKr1.3bn level.

However, many analysts had been more bullish, looking for profits of around SKr3.5bn, and they were disappointed by the company's cautious tone. The group's B shares dipped SKr1 to SKr412.

Nine-month sales jumped 41 per cent to SKr42.4bn from SKr30.2bn, while orders climbed 30 per cent to SKr49.2bn.

The weaker krona accounted for 10 per cent of the orders increase, and 20 per cent of the sales rise.

The group now has an order backlog of SKr45.6bn, after increasing its order intake for the last eight quarters.

The biggest sales growth came in Ericsson's radio communications division, where surging sales of mobile phones lifted sales to SKr15.9bn from SKr9.3bn. In the third quarter the unit's sales doubled to SKr5.24bn.

Overall sales in the third quarter were SKr15.0bn, compared with SKr9.7bn. There has been a particularly strong development in China, Ericsson's fifth most important market after the US, Italy, Sweden and the UK.

The Chinese market continues to grow, although the group anticipates increasing problems with the financing of some orders.

Nutricia seeks recall damages

By Ronald van de Krol in Amsterdam

NUTRICIA, the Dutch food group, will go to court to seek damages from a supplier of meat that allegedly contained traces of disinfectant, prompting the recall of more than 1m jars of baby food this week.

The Dutch company also said it will be looking for a new meat supplier.

The meat company, Hillegersbergsche Vee-en-Vleeshandel of the Netherlands, declined to comment on the pending law suit.

On Tuesday night, Nutricia announced the recall of some lines of its Olvarit brand of baby food because Dutch inspectors had found traces of a disinfectant widely used in cleaning slaughterhouses and meat processing plants.

The recall sent Nutricia's shares tumbling by Fl 13.80 ($7.25) on Wednesday, but yesterday they recouped some of these losses to close up Fl 1.30 at Fl 139.50.

The rebound was helped partly by news of a proposed two-for-one stock split. This move is part of wider measures to simplify Nutricia's ownership structure and to limit its defences against potential hostile takeover attempts, in line with new rules on the Amsterdam Stock Exchange.

Nutricia will, for example, drop its priority shares and liquidate a bourse-listed vehicle which owns 18.5 per cent of the company.

At the same time, a separate class of shares will be created for Nutricia's main shareholder, the UK foods group Unigate, in order to preserve Unigate's existing rights and privileges as a major investor.

Warning by Amstrad on spending

By Paul Taylor in London

MR ALAN Sugar, chairman of Amstrad, the consumer electronics group, warned yesterday that there was no evidence of any pre-Christmas spending boom in Britain's High Streets.

Amstrad's often outspoken chairman told shareholders at the group's annual general meeting in London yesterday that, "contrary to what you may hear from the government, trading conditions are not very good, people just aren't spending money".

Earlier Amstrad had issued a statement to the Stock Exchange warning that "trading conditions in October have been poorer than anticipated, particularly in the UK where volumes and margins have been under pressure".

The statement, which led to Amstrad's share price plunging by 10½p or 20 per cent to 43p, added that the company also expects November and December to reflect "relatively weak demand".

While Amstrad acknowledged that the outturn for the Christmas season "still remains unclear", the board warned that sales and margins are likely to be below last year's levels and current market expectations for the group's sales and operating profit for the year to June 1994 "are therefore likely to be optimistic".

Later at the meeting Mr Sugar said consumers were still holding on to their savings.

Storehouse recovery continues

By Neil Buckley in London

STOREHOUSE, the UK retail group comprising BHS, Mothercare and Blazer, shrugged off City fears that its recovery might be faltering as it unveiled interim pre-tax profits of £11.6m ($17.28m) compared with a £27.3m loss in the same period last year.

Both figures were distorted by exceptional items, with last year's hit by a £30.4m charge to cover losses on the sale of the Habitat and Richards chains. This year's figure was depressed by a £8.4m provision relating to the sale of the US Mothercare business.

Stripping out exceptionals, profits rose almost six-fold from £3.1m to £18m.

The shares, which had fallen after rival group Burton announced disappointing results last week, recovered 17p to 200p.

Sales in continuing businesses were up 5 per cent in the 28 weeks to October 9, with operating profits up 45 per cent.

Storehouse said there had been a steady start to the second half and it expected a significant increase in year-end profits but it warned that consumer confidence remained "delicate and easily disturbed".

"We are not happy about a Budget in November," said Mr Keith Edelman, chief executive. "We are very concerned about the possibility of VAT on children's clothing, which accounts for a quarter of turnover."

Gross margins have also fallen slightly, with the margin at BHS down just under one percentage point as a result of a price promotion, and Mothercare's margin down about one point after a repositioning on pricing.

Total group turnover fell from £617.4m to £484.3m, as last year's figures included Habitat and Richards.

Sales at BHS increased from £323.4m to £337.2m, and operating profits from £10.6m to £15.4m. Mr Edelman said BHS was under-represented in parts of the country and would step up its opening programme.

Mothercare sales increased 6 per cent to £140.9m, with profits up to £2.1m from £0.7m. Sales improved 6 per cent at Blazer, with losses down slightly, and Mr Edelman said One-Up, the discount format, had traded satisfactorily in its first three months.

The interim dividend was unchanged at 2.5p, with earnings up to 1.4p (from a 6.9p loss) after exceptionals. Mr Edelman hinted at a possible dividend rise next year.

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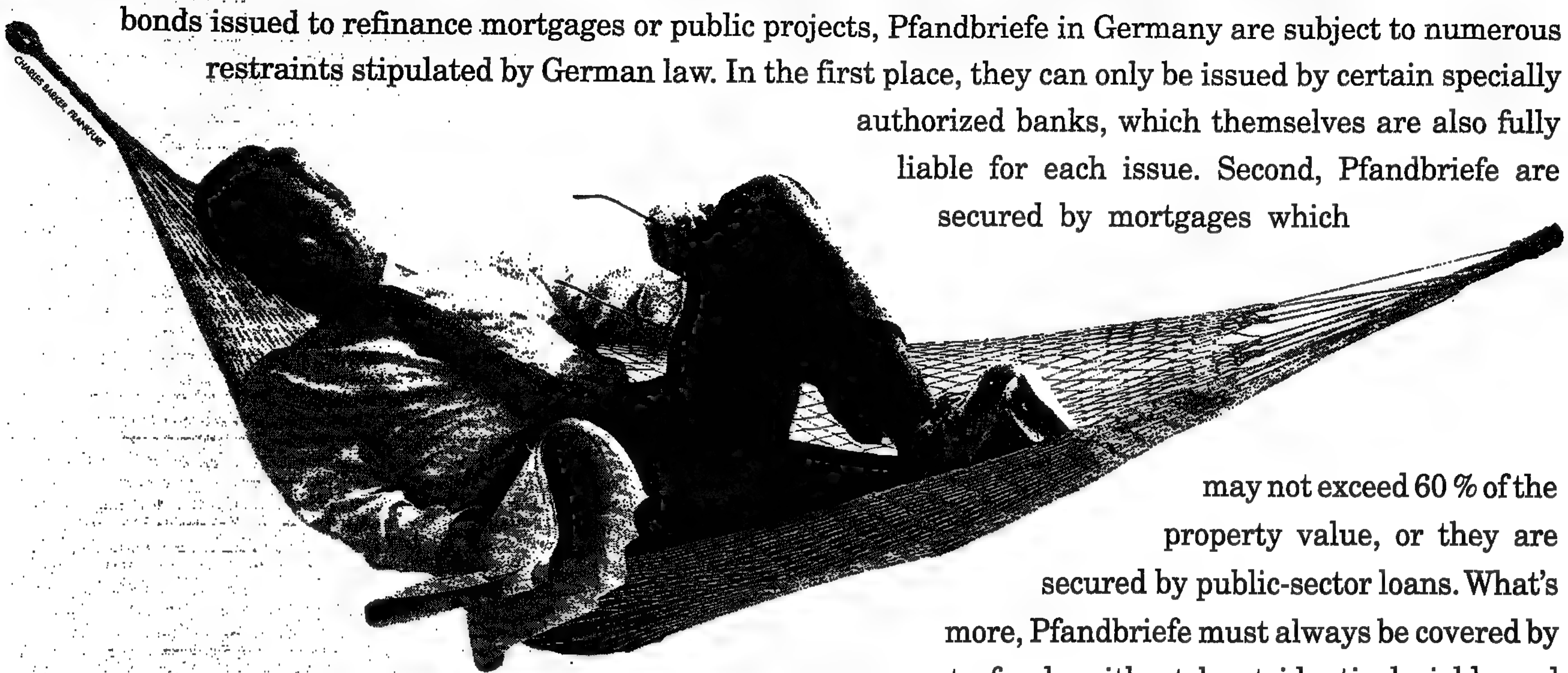

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DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
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State forces GM to call off sale of Allison division

By Richard Waters in New York

GENERAL Motors yesterday *called off the sale of its Allison* Transmission division in the wake of a legal challenge from the US Justice Department. It also issued an angry rebuke to the Clinton administration's approach to competition policy.

GM and ZF Friedrichschafen, the German company which had been in talks to buy Allison, said the administration's move to block the deal had come after 18 months of talks between the two parties, and marked "an excessively long period of arduous government deliberation".

Mr William Hoglund, executive vice-president of GM, and Mr Klaus Bleyer, chief executive of the German company, said in joint statement: "In our opinion, the government took a very narrow view of competi*tion in the market* and one that does not reflect commercial reality."

The decision by Mrs Anne Bingaman, head of the anti-trust division, to file a civil suit to block the deal marked one of the earliest signals of the Clinton administration's intention of taking a tougher line than its predecessor on competition policy.

Other recent Justice Department actions have also indicated a more stringent approach to enforcement of anti-trust laws, though not a change in policy.

Mrs Bingaman had said the Allison sale would have seriously reduced competition for automatic transmissions for buses and trucks.

The new entity would have had 78 per cent of the $50m *market for* transit *bus* transmissions in the US, the department said.

Mrs Bingaman added that the department's would focus increasingly on protecting competition in technology.

Mr Hoglund of GM said the decision to take Allison off the market would enable the division "to develop a plan which will make it a successful entity in the marketplace".

The planned disposal had been part of GM's strategy of selling off operations where it did not believe it could compete effectively. It was part of the move to return its North American automotive operations to profit.

Chrysler sells Italian sports car marque

By Haig Simonian in Milan

THE LAMBORGHINI sports car group, an icon of Italy's business heritage, has been sold for an undisclosed price to Indonesian buyers.

The deal is the latest in a series of transactions this year to provoke an outcry in Italy. Gucci was one of the better-known names to have passed to new owners abroad.

The Lamborghini deal, greeted cautiously by union leaders yesterday, is slightly different. The sports car group, founded in the 1960s by Mr Ferruccio Lamborghini, was already in foreign hands, after having been sold in 1987 to Chrysler of the US for $25m.

The new buyer is Megatech, a Bermuda-based holding company believed to be owned by Mr Hutomo Mandala Putra, a son of Indonesia's President Suharto, and Mr Setiawan Djody. Mr Djody already owns 35 per cent of Vector Aeromotive, a Californian sports car maker, with which Lamborghini may now co-operate.

Based, like its arch-rival Ferrari, in the the northern Italian engineering region of Emilia Romagna, Lamborghini is best-known for sleek, exotically-named sports cars such as the Miura and the Diablo.

The latest deal marks the second disposal of a specialised sports-maker by a mass-market manufacturer in a matter of months.

Earlier this year, General Motors sold Lotus, the UK-based car-maker, to Italy's revived Bugatti company.

Mr Robert Eaton, Chrysler chairman, said he hoped the sale would "give the best opportunity for the future to the company and its workers". Chrysler is expected to continue to collaborate with Lamborghini on various projects.

Mr Djody, who controls Indonesia's Setdco group, said the deal would enable "Lamborghini [to] build prestigious cars which will excite the world".

The resolution of a legal dispute between Chrysler and Mr Lamborghini's son is thought to have opened the way for the deal.

Merck role for Medco chief

By Richard Waters

MR Roy Vagelos, chairman of Merck, the US's largest pharmaceuticals group, said he planned to push through a rapid integration of Medco Containment Services, the drugs distribution company which Merck is buying for $6bn.

He also outlined a role at Merck for Mr Martin Wygod, the Medco chairman, which suggested that he will play a central position in the enlarged group.

Mr Vagelos' comments came as Medco shareholders voted in favour of the takeover by Merck, completing the first large-scale combination of a drugs manufacturer and distributor which has rocked the rest of the US drugs industry.

At a Medco shareholders' meeting, Mr Vagelos refused to detail plans for integrating the two company's operations.

But he said: "I can assure you the two companies are linking their major elements very rapidly."

Mr Vagelos' comments indicated that, rather than operate as a separate distribution subsidiary of Merck, Medco will play a role in collecting information on the usage and benefits of drugs and help to shape Merck's drug development.

The Merck chairman added that he would work closely with Mr Wygod, who built Medco into the US's biggest drugs distributor, to build operations which bridge the gap between Merck's research and development laboratories and the patients who use its drugs.

He added that Mr Wygod will play a key role in the group, adding to speculation that the Medco chairman could be in the running to succeed Mr Vagelos when he retires next year.

Nissan Ibérica's shares suspended

By Kevin Done, Motor Industry Correspondent

SHARES in Nissan Motor Ibérica, the majority-owned Spanish subsidiary of the Japanese carmaker, were suspended yesterday on the Madrid stock exchange.

The suspension was at the request of the company, and followed sharp fluctuations in the share price in recent days.

Shares in the company, which is 70.3 per cent-owned *by Nissan, Japan's second largest* carmaker, closed on Wednesday at Pta147. The price has slipped from a high for the year of Pta434 as the company's financial crisis has deepened.

The company announced earlier this week it would be forced to undertake a drastic financial restructuring, including the write-off of around two-thirds of its share capital, which currently totals around Pta60bn ($436m).

It is suffering heavy losses, forecast to total around Pta40bn for the full year.

In the first nine months of the year, it plunged to a pre-tax loss of Pta28.01bn, against a loss of Pta5.44bn in the same period a year ago.

Accumulated losses for 1992 and 1993 are expected to total around Pta54bn. These were to be funded by writing off existing reserves of around Pta13bn, and an equity write-off, it said earlier this week.

LVMH in health care disposal

By John Ridding in Paris

LVMH, the French luxury goods group, has agreed to sell its Roc beauty products subsidiary to Johnson & Johnson, the US health care products group.

The French company yesterday *refused to disclose* the value of the sale, but industry analysts said it was likely to be at least $150m. Last year, Roc reported sales of about FFr677m ($114.5m) and net profits of about FFr20m.

The sale of Roc, which makes products ranging from shampoo to skin cream and lipstick, is part of LVMH's strategy of focusing on core brands and businesses.

"We want to concentrate our efforts on perfume and beauty products, relying on our Christian Dior, Givenchy and Kenzo brands," the company said.

Roc's products are sold through pharmacies in more than 50 countries. LVMH said the distribution channels for Roc's products were different from those of other beauty goods, which was another reason for the sale.

The disposal of Roc comes as the group is working on plans to reorganise its champagne interests.

LVMH, which suffered a loss of FFr100m from its champagne activities in the first half of the year, denied reports in the French press that it was considering the sale of it Pommery champagne house. However, it is expected to place its Moet et Chandon and Veuve Clicquot houses under a single management structure.

The reorganised champagne business is expected to be headed by Mr Yves Benard, chairman of Moet et Chandon.

The stock market welcomed the sale of Roc to Johnson & Johnson. Shares in *LVMH* rose about 3 per cent, to FFr3,761, as investors forecast that proceeds from the sale would help reduce borrowings, which resulted in financial charges of about FFr1.85bn last year.

- Mr Christian Blanc, chairman of Air France, expects the state-owned flag-carrier to report a loss of around FFr7bn for 1993, Reuter reports from Paris.

Previous estimates from the airline pointed to a deficit of more than FFr5bn this year. The revised forecast was given at a board meeting this week which also approved the appointment of new managing director Mr Rodolphe Frantz.

Former Lehman boss recruited

By Patrick Harverson in New York

MR J. Tomilson Hill, the former co-chairman of US securities house Lehman Brothers, has joined the Blackstone Group, the Wall Street mergers and acquisitions boutique.

Blackstone, founded in 1985 by two former Lehman executives, said Mr Hill would sit on the investment committee for the firm's merchant banking fund, and play a key role in the development of its financial services business.

Mr Hill's return to investment banking is timely: after years of inactivity, the M&A business in the US is enjoying an impressive revival. Companies in important industries, such as telecommunications, entertainment, health care and banking, have been engineering a host of lucrative mergers and takeovers.

Blackstone said it had been seeking to recruit a top Wall Street investment banker since one of its senior partners, Mr Roger Altman, left the firm last year to become deputy Treasury secretary in President Clinton's administration.

Mr Hill made his name at Shearson Lehman as an M&A specialist during the 1980s, advising a roster of blue-chip clients that included Pillsbury, Time Inc and RJR Reynolds. His success as head of mergers took him to the top of the firm in 1990, when he was made co-chief executive with Mr Richard Fuld.

After the Shearson broking and asset management business was sold to Primerica last year, however, Lehman was left with two leaders, which the firm's parent, American Express, *felt was one too* many.

The result was Mr Fuld's appointment as sole head of Lehman, and Mr Hill's abrupt departure from the firm he had joined in 1982.

Since leaving Lehman, Mr Hill has worked as fund-raiser and adviser to Mr Rudolph Guiliani, the Republican politician elected the new mayor of New York City this month.

Italy banks discuss takeover

By Haig Simonian

CREDITO Commerciale, a leading north Italian regional bank controlled by the Sienna-based Monte dei Paschi group, may be taken over by a big northern savings bank.

Cassa di Risparmio di Parma e Piacenza, the public-sector savings bank covering the two cities, has offered L6,400 a share for the 64 per cent stake in Credito Commerciale held by Monte dei Paschi.

After an obligatory tender offer for the minorities, the deal is set to cost the buyer about L435bn ($260.6m). The offer is almost three times Credito Commerciale's suspension price of L2,340.

Credito Commerciale, which specialises in trade finance, had total deposits of L5,494bn at the end of last year. However, earnings have plunged because of heavy provisions. Net profits in 1992 were just L3bn, while its first-half 1993 loss was about L50bn.

If the deal goes through, it will mark the second attempted consolidation of Italy's patchwork of regional banks in a matter of weeks.

Earlier this month, Banca Popolare di Verona, a listed regional bank, launched a hostile bid for Modena's big Banco San Geminiano e San Prospero.

After being rejected by the Modena bank's board, the Verona bank this week increased its offer by L20,000 to L200,000 a share.

Campbell Soup shrugs off slow US food sales

CAMPBELL Soup, the US foods group, yesterday unveiled higher first-quarter earnings as sluggish US grocery sales were offset by gains in its bakery and international businesses, Reuters reports.

Net operating income rose to $166m from $152m. Last year, Campbell recorded a $249m charge in the quarter from the cumulative effect of accounting changes, resulting in a net loss for the period.

Sales advanced to $1.76bn in the recent quarter, against $1.69bn last time.

US sales for Campbell Soup declined 3 per cent, to $1.07bn from $1.10bn a year earlier.

Donna Karan suspends initial public offering

By Frank McGurty in New York

DONNA KARAN, the New York fashion house, has poured cold water on the over-heated market for initial public offerings (IPOs) by suspending its plans to go public.

The company, known for its upmarket collections of clothing and accessories, blamed the delay on disappointing sales and operating earnings in the third quarter, due to "a soft retail environment".

Ms Donna Karan, the designer who founded the company in 1985, said: "We don't feel that a public offering at this time would reflect the potential value of the company." The decision to delay the offering comes as investors are especially keen to invest in IPOs by companies with high-profile businesses.

Last week, Boston Chicken soared 143 per cent higher than its offering price of $20 a share on the issue's first day of trading on the Nasdaq over-the-counter market.

The Donna Karan issue of 11m shares, or 37 per cent of the company, had been expected on the market this month. However, in an amended registration statement filed in October with the US Securities and Exchange Commission, the company hinted that a snag might develop.

INTERNATIONAL COMPANIES AND FINANCE

Tough new players in video games

Michiyo Nakamoto watches Matsushita and Sony enter the field

THE Christmas season has traditionally been a time of plenty for Japan's video games makers. But this year, the run up to the holiday is likely to bring the industry less cheer than usual.

When Nintendo, the most successful video games maker, announced its business results for the first half of the fiscal year yesterday, the figures showed the first signs of slowdown from a company which has seen sales rise almost continuously over 10 years. They confirmed a growing suspicion that Japan's video games makers face a turning point in their fortunes that is being brought about by a major change the industry faces.

While the squeeze on profits the industry is beginning to experience stems directly from the economic downturn and the Japanese currency's strong appreciation this year, it is also a sign of the tougher times Nintendo and its chief competitor, Sega, are likely to encounter ahead.

In October, Matsushita, the consumer electronics group, made its debut in the video games market amid much fanfare with the launch of a multimedia video games machine developed by 3DO, the US start-up company in which Matsushita has invested.

A few weeks later, Sony too announced that it would be launching a home use video game system next year that would offer ultra high speed, three-dimensional graphics.

For Nintendo and Sega, the intrusion of the two large consumer electronics companies into the games market spells the end of a lucrative world where demand seemed to rise endlessly and which had been virtually closed to outside competition.

In the US, $5.4bn worth of games software was sold in 1992, or more than the year's entire film box office revenues in the US, according to a report by Barings Securities.

Japanese trade ministry statistics show that the video games market last year grew 13 per cent in Japan to Y411bn (US$3.8bn), while the audio-visual market shrank 12 per cent to Y371bn.

With almost 90 per cent of the market, Nintendo has enjoyed monopoly profits, with operating margins ranging between 25 to 30 per cent, compared with average operating margins of 5 to 6 per cent in the consumer electronics industry, says Mr Barry Dargan at S.G. Warburg Securities.

Given the spectacular growth and profits available in the video games market, it was likely to be a matter of time before the consumer electronics giants made a serious bid to divert some of those gains their way.

It is still too early to tell how successful Matsushita and Sony might be in doing so.

However, the two electronics companies have a number of factors in their favour which could make them formidable competitors.

The shift to next-generation games systems that is being brought about by technology advancements means that the timing is right for newcomers to try to stake a position in the market. With their strong brand names, Sony and Matsushita can be expected to find easy acceptance among consumers.

The advances in technology are also moving games programmes closer to Hollywood type entertainment, using full motion video footage and high quality sound and to the world of interactive multimedia.

NINTENDO Interim results 1993-94	Ybn	Change %	1992-93
Sales	280.18	[illegible]	277.41
Operating profit	64.14	- 11.0	72.05
Pre-tax profit	61.07	- 24.0	80.25
Full-year forecasts:			
Sales	500.00	- 11.0	562.70
Pre-tax profit	121.00	[illegible]	163.80

Source: Company report

This is where Matsushita and Sony, with a wealth of entertainment material in their film and record libraries, have an advantage over existing video games makers. Matsushita's hugely successful film *Jurassic Park* is being made into an interactive game while Sony will launch such a game based on its movie *Last Action Hero*.

The consensus is that the biggest loser from the entry of Matsushita and Sony into the video games market will be Nintendo.

Against the moves of the consumer electronics giants, Sega has formed a number of alliances to ensure that it is well prepared for the changes that the video games industry faces. It has joined hands with TCI, the cable operator and Time Warner, the entertainment group, to provide video games on cable TV and with AT&T to provide video games down the telephone line.

Nintendo, however, being the most dominant player, not only has the most to lose, the company has appeared surprisingly unmoved by the impending threat to its dominance.

"We will go our own way," says a Nintendo official who defends the decision to stand behind its current generation machine for the time being by pointing out that "providing greater computing power does not necessarily lead to more entertaining games".

Nintendo is betting on a tie-up with Silicon Graphics, a leading US maker of visual computing systems, to develop a more advanced machine than either Sony's or Matsushita's for launch in 1995.

It also hopes its proven expertise in bringing hit programmes to the market will help it stave off the competition. However, it is precisely in the area of software that Nintendo faces the strongest competition from Matsushita and Sony, both of which own Hollywood film and music studios.

As software moves relentlessly in the direction of full motion video using footage from entertainment films, "Nintendo may find itself left out in the cold," Mr Dargan says. It will either have to pay huge royalty fees for entertainment software based on films or be relegated to the lower end of the market, he believes.

Whatever the eventual outcome, as a host of makers line the shop shelves with competing systems, the video games market next Christmas season will be ringing to a more discordant tune.

Australis Media to acquire cable TV group

By Nikki Tait and agencies

THE long-running saga over the development of a pay-TV industry in Australia took a new twist when Australis Media, which was only floated on the Australian Stock Exchange in September, said that it had agreed to purchase Lenfest Group.

Lenfest, a US-based cable TV company, recently acquired New World Telecommunications, provisional winner of the tender for Australia's B satellite pay television licence.

Yesterday, Australis said it would issue new shares to fund the deal. It added that it expected to complete the A$117m (US$77m) payment for the B satellite TV licence as soon as regulatory approval was received. Australis also said a further significant equity issue was envisaged to fund the development of satellite television.

The Australian government's plans to auction off two pay-TV licences were thrown into disarray when little-known companies put in high – and therefore winning bids – but subsequently failed to deliver the funds promised.

However, Australis, which already operates microwave technology pay-TV services, said it had held discussions with the Australian Broadcasting Authority, the Trade Practices Commission, and the Minister for Communications and that it expected the procedure for allocation of the B licence to be straightforward.

Strong yen blamed for 18.9% fall at Toray

By Emiko Terazono in Tokyo

TORAY Industries, Japan's leading synthetic fibre maker, saw a decline in profits for the first half due to the higher yen, low industrial demand, and the prolonged slump in consumer spending.

Non-consolidated pre-tax profits fell 18.9 per cent to Y20.3bn ($189.7m) while sales declined 7 per cent to Y275.9bn. After-tax profits fell 13.9 per cent to Y11bn.

Toray said it had cut Y10.8bn in costs during the first half through curbing material costs. However, pre-tax profits were hurt by the yen's sharp rise against the dollar, which eroded its export value by Y15.5bn.

Sales of fibres and textiles fell 13.8 per cent to Y143bn due to declines in consumer spending and lower demand from the auto, construction and fishing industries. Plastics and chemical sales fell 6.2 per cent to Y85.1bn.

However, new businesses, including pharmaceuticals, electronics information equipment and construction materials saw firm sales.

For the 12 months to March, Toray revised down its earlier projections, and now expects pre-tax profits to fall 17 per cent to Y40bn on a 5.1 per cent drop in sales to Y550bn.

Bleak outlook for Japan's top five trading houses

By Michiyo Nakamoto in Tokyo

THE steep downturn in Japanese business activity and the surge of the yen's value against the world's leading currencies took their toll on the results of the country's five large trading houses in the first half of the year.

The trading houses, which depend on the flow of goods and services for a large proportion of their earnings, were directly impacted by the slowdown in activity among Japanese corporations as well as in third country trade.

At the same time, a favourable interest rate environment in which interest expenses came down faster than interest income, helped many houses to improve their financial balance.

Many trading houses have also liquidated unprofitable subsidiaries and cancelled *tokkin*, or specified money trusts, and fund trusts in a bid to minimise their losses on these instruments.

While the losses were in many cases offset by selling equity holdings or real estate assets, the need to provide for falling asset prices and loan losses as well led some, such as Mitsubishi, to post extraordinary losses.

The business slump hurt revenues, in particular from trading activities in machinery, chemicals, energy and textiles.

The strength of the yen also had a substantial impact on the overseas earnings of the trading houses, which are active traders in commodities and other markets overseas. Mitsubishi said that the yen's rise had depressed trading transactions by about Y600bn.

Uniquely, however, Mitsui was able to benefit from dealing in the domestic market in non-ferrous metals which increased its revenues from domestic activity by 14 per cent.

On the positive side, the falling interest rate environment worked in favour of the trading houses, which derive considerable income from interest on trade finance activities, loans made to companies and a range of financial investments but also bear a heavy burden on borrowings made to finance their investments.

Marubeni, for example, was able to increase pre-tax profits by 35 per cent even though operating profits more than halved, as a result of a significantly improved non-operating balance. While operating profits were a modest Y6.6bn compared with Y13.5bn last year, Marubeni's non-operating balance amounted to Y14.1bn against Y1.9bn previously, taking pre-tax profits to Y20.6, against Y15.3bn.

But the outlook for the houses remains bleak as recovery is not expected until the latter part of next year.

INTERIM RESULTS 1993-94 (Ybn)

	Sales	Operating profit	Pre-tax profit
ITOCHU	7,879.4	24.6	18.9
Last year's interim	9,201.4	21.9	22.6
1993-94 year forecast	16,500.0		30.0
MARUBENI	6,740.5	6.6	20.6
Last year's interim	8,283.5	13.5	15.3
1993-94 year forecast	14,500.0		28.9
MITSUBISHI	6,918.8	18.3	27.6
Last year's interim	7,502.0	35.3	31.5
1993-94 year forecast	14,000.0		55.0
MITSUI	7,887.1	13.9	[illegible]
Last year's interim	7,712.4	24.3	25.1
1993-94 year forecast	16,000.0		46.6
SUMITOMO	[illegible]	7.6	18.0
Last year's interim	8,698.8	13.5	23.2
1993-94 year forecast	15,000.0		38.6

Source: Company reports

ANI profits up 5.7% in first quarter

By Nikki Tait

AUSTRALIAN National Industries, the heavy engineering group which owns Britain's Aurora group, yesterday announced that after-tax operating profits rose by 5.7 per cent to A$12.6m (US$8.4m) in the three months to end-September, the first quarter of its current financial year. Revenues rose by 11.7 per cent to A$345.3m.

But the company warned that, while the Australian *operations showed an* improved performance, activity in the UK remained flat. "Aurora's activity remains depressed," it said, "with no sign of sustained recovery. Margins continue to be under pressure as the group moves away from . . . defence and aerospace."

The upturn in profits, said the company, could be attributed to its distribution operations – Steelmark-Eagle and Globe – and the service businesses, which include Coates Hire and Container Care International.

The environmental engineering operations also contributed profitably.

Sharp gains at Westpac and National Australia Bank

By Nikki Tait in Sydney

FURTHER signs of the recovering fortunes of the Australian banking sector were evident yesterday when Melbourne-based National Australia Bank, which also owns the Clydesdale, Northern, and Yorkshire banks in the UK and the National Irish Bank, and Sydney's Westpac reported strong profit growth in the year to end-September.

NAB, viewed as one of the nation's strongest banks, said that profits after tax, abnormal items and outside equity interests, jumped to A$1.13bn (US$730m) from A$675.1m. Westpac, meanwhile, *made a* net profit of A$39.2m, but this compared with a A$1.56bn loss in the previous year.

The sharply improved results follow news of a much better performance by Australia and New Zealand Bank (ANZ) earlier in the week, and bank shares – which had already risen over the past few days – generally strengthened again. NAB closed 2 cents higher at A$12.86, and ANZ added 13 cents to A$4.80. Westpac, however, gave up 3 cents to close at A$4.60.

NAB's domestically-based Australian bank business contributed A$732.6m to group operating profit (before goodwill amortisation), a 15.2 per cent increase on the previous year. The specific charge for bad and doubtful debts here fell by 10.7 per cent to A$335.3m, while non-accrual loans stood at A$890.1m, down by 36.4 per cent on the previous year and representing 2.3 per cent of lending assets. NAB said that economic conditions had been "mixed" but that home loan activity and bill acceptances, for business lending, had grown strongly.

In the UK and Ireland, operating profits overall increased by 61.1 per cent to A$292.8m – although Northern Bank saw a reduced contribution at A$31.4m, down from A$63.8m. The improvement would have been more marked but for a $98.8m charge for restructuring costs. Non-accrual loans fell by a fifth, to A$639.1m or 2.9 per cent of lending assets.

The New Zealand banks contributed operating profits of A$95.1m, against A$9m. This largely reflected a A$80.3m contribution from Bank of New Zealand, which was acquired last November.

Overall, the charge for bad and doubtful debts fell by 34 per cent, to A$604.2m, while the group's tier one capital ratio stood at 7.7 per cent at the end of the year.

Mr Don Angus, managing director, cautioned that unless the world economy picks up, growth in NAB's major regions would be subdued and competition intense. However, analysts have speculated recently that the bank will use its strong earnings performance to help fund acquisitions and diversify – it recently indicated that it is looking to build up a life insurance operation in the UK, for example.

Unlike NAB, Westpac continued to face significant abnormal items – A$325.9m, against A$351.3m in the previous year, including A$226m for restructuring expenses. Profit ahead of these items and tax stood at A$548.1m.

Westpac also saw an improvement in the bad debt situation, although its lending book remains much more troubled. The provision for bad and doubtful debts was A$1.29bn (A$2.8bn) – of which A$558m refered to non-property related loans.

Looking ahead, Mr Robert Joss, Westpac's new chief executive, warned that competition in the Australian market was likely to be intense and would put pressure on net interest margins. Conditions in the commercial property market would also be critical to the trend in bad and doubtful debt charges.

Foster's sale of AMH stake may face delay

By Nikki Tait

THE PROPOSED A$160m (US$66.7m) sale by Foster's Brewing Group of a 45 per cent interest in Australian Meat Holdings, the nation's largest beef producer, to ConAgra, the US food group, may face delays in gaining government approvals.

In the federal parliament yesterday, Mr Ron Boswell, Queensland National Party senator, asked if a decision by the Foreign Investment Review Board could be delayed for up to a week to take into account a broader range of submissions.

Local cattlemen have urged a delay, amid talk that the new Farmers Investment Trust may bid for at least part of AMH. ConAgra stands to win 90 per cent of AMH.

Bank of New Zealand in the red

By Terry Hall in Wellington

THE FORMER state-owned Bank of New Zealand, which was bought by the National Australia Bank last year, yesterday announced a tax-paid profit of NZ$199.6m (US$109.6m) for the 18 months to September 30. However, an abnormal item, of NZ$277.2m, relating to adjusting the BNZ's accounting standards to match those of its new parent, led to a loss of NZ$90.7m after abnormals and minority interests.

Operating costs were unusually high in the past six months as the National Australia Bank's own branch network in New Zealand merged with the BNZ.

Total balance sheet assets at September 30 were NZ$18.9bn, a reduction from NZ$20.7bn at March 31.

Before merging with the BNZ, the National Australia Bank NZ Ltd had recorded a 53 per cent lift in operating profit after tax and extraordinary items to NZ$16.9m in the 12 months to September 30.

NEWS DIGEST

Yamaha Motor reverses 39% in first half

YAMAHA Motor, a leading Japanese motorcycle maker, posted a sharp downturn in interim earnings due to heavy foreign exchange losses following the appreciation of the yen against the dollar, writes Emiko Terazono.

The company said non-consolidated pre-tax profits for the first half to September fell 39.7 per cent to Y1.5bn ($13.9m) due to a Y13bn currency loss. Half-year sales eased 0.5 per cent to Y223.6bn, while after-tax profits plunged 37 per cent to Y780m.

Domestic sales fell 6.2 per cent to Y86.5bn while exports gained 3.8 per cent to Y137.1bn thanks to brisk demand from China.

Sales of mainline motorcycles fell 0.7 per cent to Y107.8bn.

For the full year to March, Yamaha expects unconsolidated pre-tax profits to fall 29.6 per cent to Y3.5bn on a 4.5 per cent decline in sales to Y450bn.

Orix plunges 53.3% halfway

ORIX, the leading Japanese leasing company, saw a sharp plunge in parent pre-tax profits due to the prolonged economic slump, but managed to prop up after-tax profits thanks to proceeds from stock sales, writes Emiko Terazono.

Pre-tax profits for the first six months to September fell 53.3 per cent to Y3.2bn on a 4.9 per cent decline in revenue to Y309.8bn. After-tax profits increased by 1.1 per cent to Y2.5bn.

Operating profits fell 14.3 per cent to Y8.1bn, and the company posted special profits of Y1.5bn due to sales of its stock holdings.

For the full year to March, Orix expects a 5.3 per cent fall in revenue to Y620bn, but foresees a decline in its interest burden and projects a 89 per cent jump in pre-tax profits to Y9.8bn.

Aegon 2% ahead in third quarter

AEGON, the Netherlands' second largest insurance company, said net profit in the third quarter of 1993 rose by slightly more than 2 per cent to Fl 240m ($126m) from the same period a year earlier, writes Ronald van de Krol in Amsterdam.

The figures took net profit for the first nine months of the year to Fl 737m, an improvement of 5.6 per cent.

The company remains optimistic for the rest of 1993, and has maintained its previous forecast that operating profit per share will show a modest rise for the full year.

For the first nine months, operating profit per share was up 5.6 per cent to Fl 6.15.

Overall, operating profit for the nine months rose by 9.3 per cent to Fl 624.4m, on turnover up 14.4 per cent at Fl 13.1bn.

Realised gains on investments in shares and property fell to Fl 112.4m for the nine months from Fl 127m a year earlier.

INTERNATIONAL CAPITAL MARKETS

Two German states launch 30-year Eurobonds

By Antonia Sharpe

THE long end of the D-Mark sector of the international bond market looked yesterday in danger of becoming saturated as two more German states launched 30-year Eurobonds.

The states of North-Rhein-Westphalia (NRW) and Rheinland-Pfalz raised DM500m and DM200m respectively through offerings priced to yield 71 or 72 basis points over 10-year German government bonds.

The yield spreads on yesterday's offerings reflected the spread on Baden-Württemberg's DM750m 30-year Eurobond issue which was launched earlier this week and which kicked off the recent rush of long-dated bonds by German states.

Some syndicate managers said that the yield spreads on yesterday's offerings should have been around 80 basis points since demand for long-dated bonds appeared to be slowing.

Goldman Sachs, the joint lead manager of NRW's offering, said that although NRW had a notionally weaker rating

INTERNATIONAL BONDS

of AA plus compared with Baden-Württemberg's triple-A, the spread was justified by the fact that it was Germany's most populous state and its name was well-known with investors.

Issuance in the D-Mark sector is expected to remain brisk for the next week. Japan's Export-Import Bank is believed to be seeking to raise at least DM500m through an offering of 10-year Eurobonds. However, syndicate managers said that it could be difficult for the borrower to achieve its funding target of 10 basis points below dollar Libor.

Issuance in the Eurodollar sector remained buoyant yesterday as the Kingdom of Sweden returned to the market with a $300m offering of three-year Eurobonds.

Lead manager Paribas said that Sweden's bonds injected fresh supply into the short end of the Eurodollar market where spreads had tightened dramatically due to the dearth of new issues. GECC's bonds, for example, were now yielding 10 basis points below US Treasuries which compared with a launch spread of 10 basis points over US Treasuries.

There was also a spate of dollar floating-rate notes which appealed to investors who believed US interest rates could start to rise in the new year.

Two Argentine corporate borrowers are due to come to the Eurobond market in the next few weeks. Gas Argentino, the holding company for 70 per cent of the shares in the privatised MetroGas, is expected to raise $130m through an offering of five-year Eurobonds.

The bonds, which have a call option in the fourth year, also allow the holders to participate in the profits of MetroGas. The bonds are likely to be priced to yield around 350 basis points over US Treasuries. Chemical Bank is arranging the offering.

Sociedad Comercial del Plata, a diversified Argentine company, is scheduled to raise $80m through an offering of five-year Eurobonds, via Paribas.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Sweden	300	4.625	99.78R	Jan.1997	0.19R	+18 (4⅝%-96)	Paribas Cap. Markets
Citicorp(a)‡	250	(a)	99.875R	Dec.1995	0.125R	-	Lehman Bros.
Bank of America(b)‡	150	(b)	99.89R	Dec.1998	0.245R	-	Salomon Bros.
Banco di Napoli (Lon.)(c)‡	150	(c)#	99.45R	Dec.1998	0.25R	-	Merrill Lynch Intl.
Philippine National Bank	150	6.625#	99.675R	Dec.1995	0.80R	-	Citibank Intl.
Phatra Thanakit(d)‡	150	3.5-4.0	100.00	Dec.2003	2.50	-	S.G. Warburg Secs.
Credit Local de France(e)‡	100	(e)‡	110.19R	Dec.1996	0.20R	-	MSI
D-MARKS							
Nord Rhein Westphalia	500	6.5	99.94R	Dec.2023	0.50R	+71 (6¼%-03)	Goldman Sachs/West LB
State of Bavaria(f)	200	5.0	99.33R	Nov.2003	0.33R	-30 (6¼%-03)	Bayer. Vereinsbank
Land Rheinland-Pfalz	100	6.5	99.85R	Jan.2024	0.50R	+72 (6¼%-03)	LB Rhein-Pfalz
Land Rheinland-Pfalz	100	6.5	99.60R	Jan.2024	0.50R	+72 (6¼%-03)	Bayer Vereinsbank
AUSTRALIAN DOLLARS							
AustIndustry Dev. Corp	100	6.75	101.20	Jan.2004	2.125	-	Hambros Bank
ITALIAN LIRE							
Deutsche Bk.Fin.(Curacao)	200bn	8.25	101.67	Jan.2004	2.00	-	Deutsche Bk.(London)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.125%. b) Coupon pays 3-month Libor + 0.20%. Callable after year 10 at par. c) Coupon pays 6-month Libor + 0.30%. d) Coupon pays 6-month Libor + 2.00%. e) Short first coupon. f) Subordinated issue. Issue carries a 3 year call, subject to 140% rule, or par. Fixing: 29/11/93.

CBoT may win trading space in $26m land deal

By Laurie Morse in Chicago

THE Chicago Board of Trade is close to clinching a $26m real estate deal that would expand its trading space by 45,000 sq ft and alleviate the severe overcrowding that has come with the exchange's record volume this year.

"Construction of a new trading facility is the most crucial issue facing this exchange," said Mr Patrick Arbor after his board of directors approved the plan.

"If I have one goal during my chairmanship, it is to get this plan passed," he said. A membership vote will be held on the plan in early January.

The deal calls for the exchange to purchase property just south of its La Salle street office and trading complex and construct a new building that would open on to the existing CBoT agricultural futures trading floor.

When complete, it would provide 75,000 sq ft of unobstructed trading space.

Outgoing chairman Mr William O'Connor proposed a similar plan for the same piece of property a year ago. Members voted down that proposal because they objected to fees proposed to finance the project.

Mr Arbor has had difficulty reviving the plan, but has apparently been aided by this year's volume surge.

The CBoT surpassed its all-time record volume total of 154.2m contracts, set in 1990, on November 10. Led by its Treasury bond and note futures contracts, 1m contract days have become fairly routine, with five recorded so far in November.

As of Tuesday, overall exchange volume had surged to 157.7m contracts.

Mr Arbor says he is confident the real estate deal can be financed through existing exchange revenues, and that no special fees will be imposed on members if the plan is approved.

● The Chicago Board of Trade is investigating the market potential for futures and options products based on prices of residential real estate.

The exchange said it will join with a real estate research firm, Case Shiller Weiss, to explore trading derivatives on indices based on the movement of single family home prices in the US.

Although the CBoT pioneered futures products based on pools of home mortgages, there is currently no way to hedge price risks associated with home ownership.

Mr Mark Shaels, a CBoT director, said: "Single family homes are considered the largest asset class in the US, far outstanding the stock or bond markets."

The exchange believes that derivatives on metropolitan home price indices could be used by mortgage writers, insurance companies, and real estate developers for risk management, but that the project could meet resistance from real estate professionals, who are not accustomed to using derivatives.

Profit-taking erodes early gains on rate-cut optimism

By Conner Middelmann in London and Patrick Harverson in New York

RATE-CUT optimism and US congressional approval of the North American Free Trade

GOVERNMENT BONDS

Agreement (Nafta) boosted European government bonds in the morning, but prices eased back on afternoon profit-taking after the Bundesbank left leading German interest rates unchanged.

While few had expected a cut in German key rates, many were slightly disappointed by the Bundesbank's announcement of fixed-rate securities repurchase agreements at 6.25 per cent for next week – 4 basis points below this week's rate. The repo rate fell 9 basis points this week, fuelling talk that the Bundesbank had adopted a more aggressive easing policy, and yesterday's announcement damped hopes for further sharp repo rate easing in the near term.

"They clearly wanted to signal that, while they will continue easing, they're not stepping up the pace," said a trader. Nevertheless, most traders remain confident that the key discount and Lombard rates will be cut again in December.

The December bund futures contract slipped off its day's high of 100.45 to end at 100.22, down 0.04 point from Wednesday.

■ IN FRANCE there was some disappointment that the central bank left its 6.45 per cent intervention rate unchanged at its latest repo operation, but hopes for easing in the next few weeks and the German repo ease kept prices underpinned.

Switching into intermediate maturities from the long end caused the yield spread between 10-year bonds and the higher-yielding 30-year bonds to widen to some 73 basis points, from 69 basis points on Wednesday. OATs outperformed bunds, with the 10-year French yield gap over Germany narrowing to 14 basis points from 18 on Wednesday and 23 last week.

■ UK GILTS shed most of their early gains and closed slightly lower in line with European and US bonds, but sentiment remained bullish following unemployment and earnings data which were seen to confirm the picture of non-inflationary economic recovery.

The long gilt future closed at 115⅞, down ⅛ from Wednesday.

■ AMONG Europe's high-yielders, Spain continued to outperform Italy, with the 10-year yield gap between the higher-yielding BTPs and their Spanish counterparts widening to 85 basis points, from 53 basis points at the start of the week.

Spanish bonds have been boosted by hopes for a successful completion of the social pact talks as well as speculation on near-term rate cuts, while Italian bonds are beset by jitters ahead of Sunday's municipal elections and worries over the budget outlook.

But according to Mr Andrew Roberts, bond analyst at UBS, investors should consider switching out of Spain into Italy. "The spread has widened out so much there could well be a correction next week," which could bring the yield gap back to some 70 basis points, he predicted.

■ NAFTA'S passage through the US Congress and the political reform bill's passage through a plenary session of the diet pushed Japanese bonds about ½ point higher. The JGB futures contract rose 0.53 point to 114.45.

■ US TREASURY prices were lower across the board yesterday morning in the wake of bearish jobless claims data and a stronger-than-expected regional economic report from the Philadelphia Federal Reserve Bank.

By midday the benchmark 30-year government bond was down ⅜ at 100⅛, yielding 6.212 per cent. At the short end of the market, the two-year note was down ⅛ at 99⅞, to yield 4.093 per cent.

Investors ignored Congressional approval of Nafta, and instead focused on the latest data to point to accelerating economic growth. First, prices ticked lower after the government announced that claims for state unemployment insurance fell by 20,000 in the second week of November.

Both the short and long end of the market posted further losses later in the morning when the Philadelphia Fed said its index of local business activity jumped from 15.4 in October to 22.4 in November.

FT FIXED INTEREST INDICES

	Nov 18	Nov 17	Nov 16	Nov 15	Nov 12	Year ago	High*	Low*
Govt.Secs.(UK)	103.84	103.54	103.13	103.07	102.74	94.05	103.84	93.28
Fixed Interest	124.15	123.78	123.47	123.34	123.35	108.98	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 17	Nov 16	Nov 15	Nov 12	Nov 11
Gilt Edged Bargains	114.8	127.4	149.2	96.6	97.8
5-Day average	117.1	118.9	134.8	125.1	128.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.5023	-0.165	6.61	6.65	6.59
BELGIUM		9.000	03/03	114.8500	-0.250	6.80	7.04	7.11
CANADA *		7.500	12/03	105.1500	-0.050	6.76	6.80	6.72
DENMARK		8.000	05/03	111.5000	+0.150	6.36	6.43	6.48
FRANCE	BTAN	5.750	11/98	101.5505	-0.045	5.29	5.44	5.47
	OAT	6.750	10/03	105.8900	-0.110	5.94	6.06	5.91
GERMANY		6.000	09/03	101.3350	-0.010	5.81	5.89	5.86
ITALY		10.000	08/03	104.1000	-0.540	9.56†	9.29	8.86
JAPAN	No 119	4.800	06/99	108.7879	+0.283	2.96	2.82	3.22
	No 157	4.500	06/03	107.2180	+0.382	3.49	3.48	3.80
NETHERLANDS		7.000	02/03	108.5700	+0.110	5.77	5.86	5.81
SPAIN		10.900	08/03	115.8000	+0.350	8.43	8.87	8.55
UK GILTS		7.250	03/98	104-20	-01/32	6.03	6.13	6.09
		8.000	06/03	109-10	+01/32	6.67	6.65	6.80
		9.000	10/08	116-03	- 0/32	7.02	7.19	7.13
US TREASURY *		5.750	08/03	100-21	-16/32	5.66	5.71	5.28
		6.250	08/23	100-17	-01/32	6.21	6.21	5.85
ECU (French Govt)		6.000	04/03	111.6300	+0.230	6.32	6.50	6.35

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

La Générale prices offering

SOCIETE Générale de Belgique, the Belgian holding company, has priced its offering of 3.99m units in Union Minière, its metals subsidiary, writes Tracy Corrigan.

Each unit consists of one share and one warrant. The shares are priced at BFr2,350. Each warrant entitles the holder to buy one share at a strike price of BFr2,450 from November 26, 1993 to December 15 1994. The sale will bring Société Générale's stake down to 50.1 per cent. The parent company has said it intends to remain a majority shareholder, and under the terms of the offering is not allowed to sell more shares in the next year.

The offering is seen as a play on zinc prices and on the dollar/Belgian franc rate, according to lead underwriter S.G. Warburg.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.55 pm on November 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	101	101⅛	-⅛	6.36
Alberta Province 9¾ 96	600	109	109⅝		4.42
Austria 8½ 00	400	114⅛	114⅝	-⅛	5.65
Bank of Tokyo 8¾ 96	100	107⅛	108⅛		4.98
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99½	100½	+⅛	7.78
Banfoseca Lux 9½ 99 LFr	1000	107½	108½	+⅛	7.37
World Bank 8 96 LFr	1000	101½	102½		7.27
Bank Voor Ned Gem 7⅛ 02 Fl	1000	108	108⅝		6.29
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	18	15
Other Fixed Interest	11	1	3
Commercial, Industrial	296	217	908
Financial & Property	221	78	530
Oil & Gas	28	15	36
Plantations	1	2	6
Mines	44	22	73
Others	39	52	52
Totals	685	403	1,623

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
§140	F.P.	-	165	140	Abacus	162		N4.5	2.0	2.7	22.0
-	F.P.	-	94	88	Abtrust Emrg Economics	90½	+½	-	-	-	-
-	F.P.	-	50	46	Do Warrants	51		-	-	-	-
[illegible]											

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
[illegible]							
63	Nil	14/12	8pm	3pm	Elliott (B)	3pm	-1
35	Nil	13/12	1¼pm	¼pm	Eng & Overseas Props	1½pm	
¼	Nil	23/12	1¼pm	½pm	Ferromet	1¼pm	
11	Nil	23/12	1¼pm	1¼pm	Graystone	1½pm	
3¼	Nil	23/12	½pm	½pm	MAC Inds.	½pm	
465	Nil	24/11	86pm	59pm	Slebe	59pm	-6
-	Nil	8/12	11pm	8pm	Upland	8pm	
375	Nil	25/11	47pm	38pm	Wilson Bowden	41pm	+2
152	Nil	14/1	23pm	11pm	Wyevale Garden Centres	11pm	-2

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

● First Dealings Nov. 8
● Last Dealings Nov. 19
● Last Declarations Feb. 10
● For settlement Feb. 21

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Avesco, Betterware, Blue Circle, Crockfords, Crossroads Oil, Enterprise Computer, Hanson Wts., Ramco, Southend Props., Tadpole Tech., Tullow Oil, Tuskar Res. Puts: Betterware, Crossroads Oil, Tex Hldgs., Tiphook. Put & Call: Betterware, Medeva.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied-Lyons	550	38	47	53	13	21	33½
(*573)	600	12½	23	29	42½	48½	61½
Argyll	260	22	32	38½	8	12½	19½
(*276)	280	12	22	28½	19½	23½	30
ASDA	50	7	8½	11	3	4	5
(*62)	60	2½	4½	6½	8½	10½	11½
Brit Airways	390	32	42	49	12	17	25½
(*410)	420	15½	28	34	27	32½	42
Bass	390	38	48	57	11	19½	25
(*411)	430	21½	33	43	25	34	40
Boots	500	35	48	56½	9½	17	25
(*517)	550	10½	22½	31	37	44	52
BP	330	25	31½	38	7½	12	18½
(*344)	360	9	18½	23	21½	28½	30
British Steel	120	9	13	17	8	11½	13½
(*120)	130	5	8½	13	14	17	18½
Bass	460	21½	27½	34	21	27½	34
(*466)	500	7	12	19	52½	55½	60½
Cable & Wire	460	36	48½	59	13	23	24
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BTR	360	8	22	28	3½	12½	18½
(*364)	390	1	83	13½	28	31½	37
Brit Telecom	420	52	53½	59½	1	3	5½
[illegible]							
Fisons	140	14	22	25½	5	10½	16½
(*146)	160	4½	12½	17	17	21½	29
Brit Aero	420	11	36½	48	8	33	40½
(*423)	460	1	18	31½	42	57	64½
BAT Inds	500	7½	29	35	7	24	34
(*500)	525	2	-	-	28	-	-
[illegible]							
(*311)	330	5½	16	21½	23½	29	38½
British Gas	300	29	36	40	2	5½	9½
(*324)	330	7	16½	21	11½	18	23
Dixons	260	17½	27	34	7½	16	20½
(*268)	280	7½	17½	23½	18	26½	30½
Eurotunnel	420	37½	-	-	11	-	-
(*444)	460	13½	-	-	30	-	-
Hillsdown	140	15	21½	24	3	7	12
(*151)	160	3½	10½	13½	12½	17	24

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho	130	9	15½	18½	5½	12	14
(*132)	140	4½	11	14½	11	17½	19½
[illegible]							

EURO FT-SE INDEX [illegible]

FT-SE INDEX [illegible]

Jan	24½	30½	40	51	68½	90½	120	154
Feb	31½	38½	49½	62	81½	102	130	161
Jun †	53½	-	77½	-	114	-	164	-

November 18 Total Contracts 38,062
Calls 20,863 Puts 15,199
FT-SE Index Calls 6,794 Puts 7,862
Euro FT-SE Calls 1,911 Puts 2,192
*Underlying security price. †Long dated expiry mths.
Equity premiums are based on closing offer prices.
Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Nov 18	Day's change %	Wed Nov 17	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.29	+0.04	129.24	2.14	10.03
2	5-15 years (22)	158.15	+0.12	157.95	2.02	11.56
3	Over 15 years (9)	180.64	+0.02	180.59	2.91	10.04
4	Irredeemables (6)	211.43	+0.56	210.25	0.74	13.47
5	All stocks (61)	153.49	+0.08	153.37	2.22	10.93
	Index-Linked					
6	Up to 5 years (2)	190.84	-0.14	191.10	0.64	4.28
7	Over 5 years (11)	187.89	-0.30	188.45	1.06	4.29
8	All stocks (13)	187.28	-0.28	187.81	1.01	4.27
9	Debs & Loans (65)	144.96	+0.06	144.86	1.97	10.14

AVERAGE GROSS REDEMPTION YIELDS

			Thu Nov 18	Wed Nov 17	Year ago (approx.)
	British Government				
1	Low	5 years	6.01	6.01	7.05
2	Coupons	15 years	6.87	6.89	8.23
3	(0%-7¾%)	20 years	6.97	7.00	8.50
4	Medium	5 years	6.25	6.26	7.41
5	Coupons	15 years	7.00	7.01	8.70
6	(8%-10¾%)	20 years	7.05	7.06	8.89
7	High	5 years	6.38	6.39	7.63
8	Coupons	15 years	7.17	7.19	8.88
9	(11%-)	20 years	7.19	7.21	9.09
10	Irredeemables(Flat Yield)		7.09	7.12	8.87
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.09	2.04	2.33
12	Inflation rate 5%	Over 5 yrs.	3.08	3.06	3.76
13	Inflation rate 10%	Up to 5 yrs.	1.20	1.15	1.54
14	Inflation rate 10%	Over 5 yrs.	2.90	2.87	3.57
15	Debs &	5 years	7.59	7.56	8.82
16	Loans	15 years	7.99	8.00	9.87
17		25 years	8.15	8.16	10.08

Whitbread tops City hopes with £136m

By Philip Rawstorne

WHITBREAD, the brewing, retailing and leisure group, surpassed City expectations with a 13.4 per cent increase in first half pre-tax profits from £119.7m to £135.7m.

Sir Michael Angus, chairman, said the results for the six months to August 28 were achieved with "very little assistance from any economic upturn."

Profit growth at the trading level was also held back by an £8m contribution to the group's pension fund – the first for four years – and the disposal of 450 pubs.

Sir Michael added: "This gives us confidence that we are in a strong competitive position when growth returns to our markets." The shares gained 19p to 519p.

Interest charges fell from £22.1m to £13.8m. Basic earnings improved to 20.89p (17.47p) and the interim dividend is raised to 5p (4.75p).

Operating profits declined from £149.2m to £146.1m on turnover marginally ahead from £1.16bn to £1.19bn.

Whitbread Inns, the group's managed pubs, increased profits by 9 per cent to £51.2m, before a pension charge of £2.1m, on turnover 5 per cent higher at £275.2m.

The best results came from pubs focused on the sale of food, with the 200 Brewers Fayre outlets achieving an 18 per cent growth in turnover. Average sales per pub grew 14 per cent in food, 6 per cent in drinks and 7 per cent in amusement machine income.

Overall profits from Pub Partnerships, the leased estate, fell from £30.8m to £25.2m as the number of pubs was reduced by 450. The restaurants and leisure division raised profits by 22 per cent to £28.6m before a pension charge of £1.7m. Turnover was ahead 6 per cent at £536.5m.

Beefeater improved turnover by 7 per cent and profits by 10 per cent. Pizza Hut increased market share with a 10 per cent growth in turnover; Thresher's maintained trading profit on a 3 per cent increase in sales despite increasing personal imports of alcohol.

A stronger performance from the group's hotels was led by the budget Travel Inns with a 27 per cent increase in turnover. Profits from beer and other drinks fell from £43.8m to £41.9m after a pension charge of £3.2m and a £1.3m lower contribution from Britvic.

Overall beer volumes declined 5 per cent. Market share was reduced 0.5 per cent in the free pub trade where margins were maintained despite competitive discounting. However, strong volume gains, led by Stella Artois and Boddington's, gave the group market leadership in the take-home sector.

See Lex

Trevor Humphries

Sir Michael Angus (centre left) and Peter Jarvis, chief executive: best results came from pubs focused on food sales

QMH action group demand

By Peggy Hollinger

A GROUP of shareholders in Queens Moat Houses yesterday wrote to the chief executive of the heavily-indebted hotels company demanding copies of the controversial property valuations which show a difference of some £500m in its assets.

The letter comes just five days before the extraordinary meeting which was called when the company's net assets had fallen to less than half the called-up share capital.

It is widely expected, however, that the EGM will be adjourned until the annual meeting on November 29.

QMH recently announced a loss of £1.04bn, the second largest deficit in UK corporate history, and is in talks with bankers over refinancing its £1.18bn debt.

Mr Denis Woodhams, the former hotel manager who launched the QMH shareholder action group earlier this month, said yesterday that he was hoping to force an adjournment of the AGM until the valuations had been examined by independent bodies.

"If we get enough support to vote against the 1992 accounts, it has to be adjourned," Mr Woodhams said.

Mr Woodhams wrote to Mr Andrew Coppel, the recently-appointed chief executive, on behalf of the action group requesting copies of the valuations by Weatherall Green and Smith and Jones Lang Wooton.

He also requested details of any properties identified for disposal by the new management.

QMH refused to comment on whether it would comply with Mr Woodhams' requests. However, it is thought unlikely the information will be made available.

Mr Coppel said yesterday he shared the action group's concerns to protect shareholders. "We are acting in all shareholders' interests, large and small, in trying to achieve a recovery of this group. To that extent our interests are aligned," he said.

Tight cost control helps Grampian to 7.7% rise

GRAMPIAN Television, the Aberdeen-based ITV company, lifted pre-tax profits by 7.7 per cent in the six months to August 31.

Mr Calum MacLeod, chairman, said the rise reflected "the continuing tight control of costs supported by some improvement in the advertising market".

Profits rose to £1.55m (£1.44m) on turnover down at £9.87m (£10.1m). With operating expenses lower at £8.16m (£8.87m), operating profits emerged at £1.71m (£1.19m). The Channel 3 licence payment/exchequer levy was £360,000.

Earnings per share advanced to 7.39p (6.17p) from which a raised interim dividend of 1.5p (1.1p) is declared. The directors said they wanted to reduce the disparity between the interim and the final payments.

Mr MacLeod said the advertising improvement had limited the fall in revenue from the loss of Channel 4 sales, and that Grampian had increased its share of network advertising revenue. It recently moved from TVMM, Scottish Television's joint venture with HTV, to the Time Exchange sales house.

Glenburnie, the property investment and development subsidiary, lifted its profits by 14 per cent to £463,000 (£405,000) through higher rental income.

Thomas Locker £329,000 in red

Thomas Locker (Holdings), the engineering equipment maker, fell into losses of £329,000 for the six months to the end of September, against profits of £188,000. Turnover was down from £18.7m to £17.3m.

The company blamed a decline in orders for companies serving the European capital goods markets.

Losses per share were 0.67p (earnings 0.4p). The interim dividend is 0.2p (0.35p).

Losses at 600 rise to £1.6m

With no sign of a recovery in the European capital goods market, pre-tax losses at 600 Group, the engineering equipment manufacturer, increased from £240,000, adjusted for FRS 3, to £1.59m for the six months to September 30.

Turnover fell to £44.9m (£49.4m). Prof Michael Wright, chairman, said it was due to a downturn in the European machine tool market, particularly in Germany, and a further deterioration in the construction related mechanical handling market in the UK.

The shares fell 6p to 36p.

The result was helped by a £1.3m (£846,000) credit from the actuarial valuation of its UK pension scheme.

Prof Wright said that despite significant progress in rationalising and restructuring the results remained disappointing.

Losses per share were 3.8p (1.3p). The dividend is halved at 0.5p.

Wentworth quote at risk

THE USM quote of Wentworth International could be cancelled following the result of its recent rights issue.

The plastic packaging products group has received acceptances for 234.5m of the 380.5m new shares offered at 2½p on a 7-for-2 basis.

However, the acceptances include some 233.2m shares (about 61.3 per cent) which Monceau Investments, an arm of Banque Indosuez, had irrevocably undertaken to apply for. Attempts will be made to sell the balance in the market at a premium to the rights issue price. The shares closed unchanged at 1½p.

If no further buyers are secured by close of business today Monceau and Banque Indosuez will hold 91.15 per cent of the enlarged issued capital. Under Stock Exchange rules an insufficient proportion of the share capital will be in public hands and the company's USM quote will have to be cancelled. A further announcement will be made "as soon as practicable".

Wentworth reported pre-tax losses of £5.4m (£4.05m) for the year to March 31.

Ferranti deficit surges to £19m

By Paul Taylor

MR EUGENE Anderson, Ferranti's chairman, warned shareholders yesterday that the defence electronics group was "trapped in a vicious downward spiral."

His warning came as Ferranti, the subject of a 1p a share rescue offer by GEC, announced a sharp rise in interim pre-tax losses from £10.9m to £19.4m.

"Our ability to win new business and efficiently to deliver systems and products to our customers have been severely damaged by the company's extremely tight liquidity," Mr Anderson said.

"This has led to a progressive deterioration of the company's financial position, leaving the directors no choice but to recommend a rescue bid from GEC. The only alternative would be to ask the banks to appoint a receiver."

The deficit for the six months to September 30 was struck from turnover which shrank 17 per cent to £91m (£109.4m), including £1.3m (£9.3m) from discontinued operations.

During the period Ferranti won £86.2m of new business compared to £90.7m a year earlier. Accordingly, the order book fell from £248.1m to £164.8m.

At the operating level costs fell to £96.3m (£112.8m) as the group shed another 1,000 jobs. However, the operating loss grew to £5.3m (£2.9m).

Non-operating costs jumped to £10.1m (£2.7m) including £2.4m to cover surplus property costs in the UK and US, £1m in reorganisation and rationalisation costs and a £6.7m provision to cover two legal disputes.

The group's share of profits from the Ferranti-Thomson Sonar Systems joint venture doubled to £600,000 (£300,000), and interest costs fell to £4.8m (£5.6m).

The after-tax loss continued to widen and losses per share increased to 2.1p (0.95p).

At the end of September Ferranti's net debt stood at £98.6m, up from £74.1m a year earlier.

In addition Ferranti has contingent liabilities of £38.1m and owes creditors £18.2m in overdue payments pushing its total exposure to £154.9m.

Meanwhile, its balance sheet has continued to weaken with shareholders' funds shrinking to £34.9m at the end of September from £62.2m a year earlier.

British Gas £225m in red for third quarter

By Robert Corzine

BRITISH GAS has blamed regulatory pressures, leading to a loss of market share to independent competitors and the price cuts to consumers, as the main reason for a sharp deterioration in its third quarter performance.

The net loss for the quarter, the period of lowest demand for gas, was £225m on an historical cost basis against £190m last year. The loss was higher than most analysts expected and was evidence of "the declining profitability of the UK gas supply business arising from the regulatory squeeze," according to Mr Robert Evans, chairman.

Losses per share for the quarter were 5.2p (4.4p). The poor performance dragged down net profits for the first nine months to £409m, against £447m.

Historical cost operating profits in the UK gas supply business fell to £515m in the nine months to the end of September, against £592m last time. This was despite colder weather during the year and a small increase in the volume of gas sold, mainly to low-margin power generation customers.

Mr Ian Powe, director of the Gas Consumers Council, yesterday warned that continuing losses could lead to price rises for mainly residential customers if the government implemented the recommendation of the Monopolies and Mergers Commission that British Gas' trading arm be divested from the gas transportation division.

"These increasing losses carry a political health warning. If the government wants to divest British Gas trading as a profitable business, gas bills for 18m voters will first need to go up by several percentage points on top of a 17.5 per cent VAT increase."

Mr Michael Heseltine, trade and industry secretary, is considering the MMC recommendations, and is expected to decide by the end of the year or early 1994 whether to implement them.

British Gas yesterday called for an early decision to enable the company to make decisions on large investments. Mr Philip Rogerson, finance director, said large-scale capital spending would remain on hold until the government announced what the company's future structure would be.

The latest results highlighted the growing competition in the gas industry, with British Gas's share in the firm contract market, which supplies gas to large industrial and commercial users, falling to 34 per cent. Increased competition has also led to lower prices being charged for large users.

Serif calls for £4.9m and applies for full listing

By Jean Marshall

SERIF, the USM-quoted specialist printing and packaging group, is raising about £4.9m via a 2-for-1 rights issue of 49.5m shares at 11p.

The company said that without the rights its ability to trade would depend on the support of its bankers, which might not be forthcoming.

The shares fell 2p to close at 16p.

Serif also announced yesterday that it had applied to join the Official List.

The rights, which will triple the issued share capital, is fully underwritten by Credit Lyonnais Laing. To improve the liquidity and marketability of the shares the directors intend to apply for just 300,000 shares.

Serif, which reduced its pre-tax loss to £494,000 (£571,000) for the half year to June 30, has undergone a reorganisation and rationalisation programme during the last two years. Non-core activities have been disposed of and there are now two operating divisions, Cowells based in Ipswich, and Spottiswoode Ballantyne, based in Colchester.

Although the second half was likely to produce a further loss, directors said that efforts to control costs and improve margins were continuing. The current investment programme was largely completed and they felt the outlook for the company was improving.

Camco float could raise $261m

The flotation of Camco, the US oil services company, is expected to raise between $233m and $261m (£156m-£175m) for Pearson, the UK media and entertainment group, according to initial indications of the pricing.

The company, which plans to sell 13.75m shares, or 65 per cent of Camco, previously announced its intention to spin off the subsidiary as part of a move to focus on the media and entertainment businesses.

The share price for the Houston-based company was set in the $17-$19 range.

Confident RPC shows 11% advance to £4.2m

By Maggie Urry

IN ITS first results since flotation in May, RPC Group, the rigid plastic packaging company, showed interim pre-tax profits at £4.24m, an increase of 11.2 per cent over last time's £3.81m.

Mr Lindsay Mackinlay, chairman, said during the first half, to end-September, RPC had traded "in line with expectations at the time of flotation".

The group remained "confident" about prospects for the second half.

Group sales rose 10 per cent to £36.5m. Mr Ron Marsh, chief executive, said all the rise represented volume growth.

This sector accounted for 11 per cent of the group's total turnover last year, and first half volumes had fallen by 23 per cent.

However, this was offset by strength in other markets, such as a 40 per cent rise in mineral water bottles.

Operating profits were ahead 12 per cent at £4.39m. Interest charges rose from £108,000 to £154,000 since the company raised less in the float than it needed to repay preference shares used in part to finance its management buy-out in 1991.

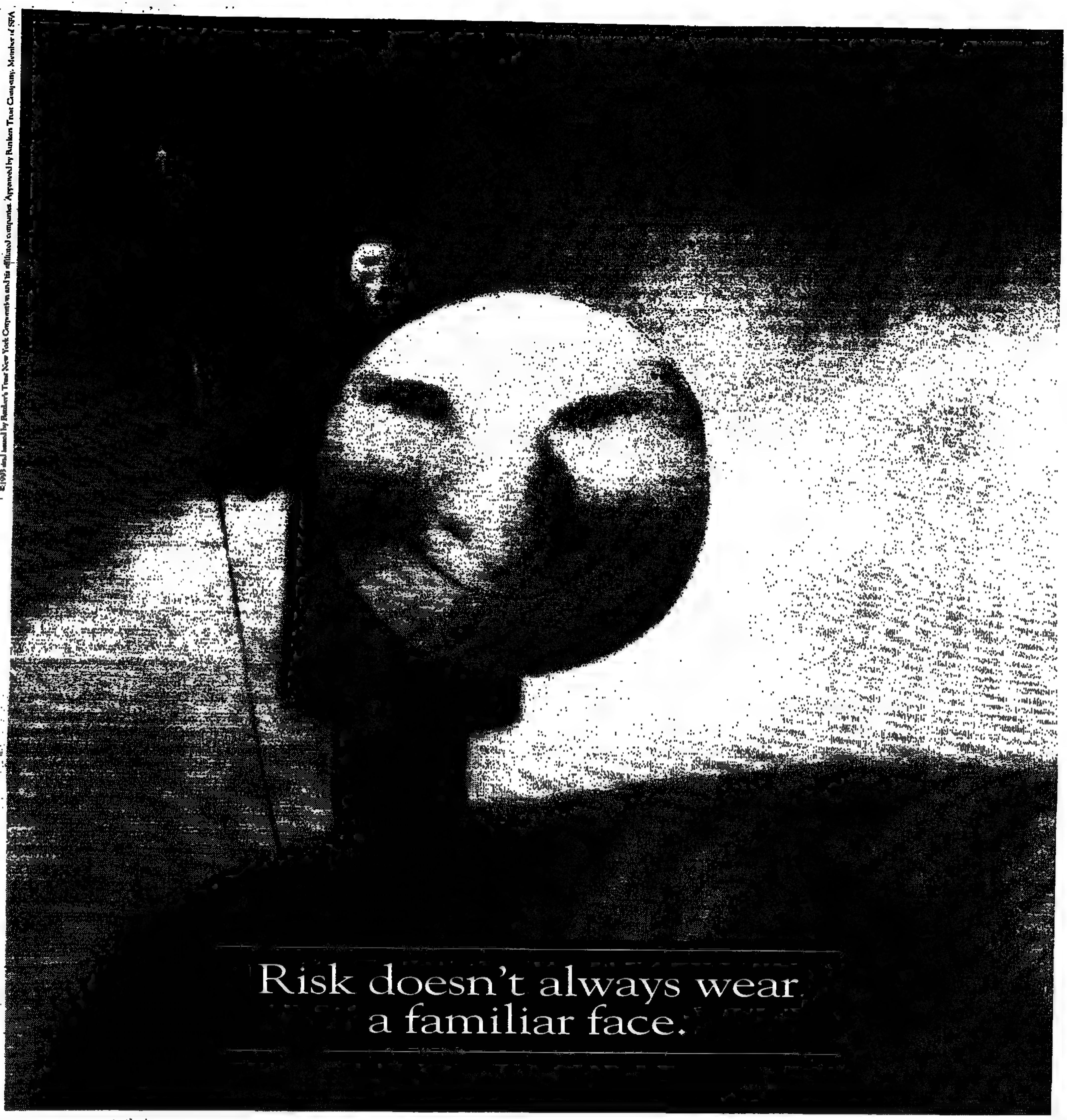
Earnings per share were 5.4p, after a 28 per cent tax charge, the rate expected for the year.

A maiden interim dividend of 1p is declared.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Bett Bros	fin	1.5	Jan 14	nil	2	nil
Brockhampton	int	3	Dec 31	2.2	-	7.5
Cable & Wireless	int	2.6	Feb 28	2.375	-	7.425
Chester W'works	int	85	-	75	-	225
Forward Group §	int	2	Dec 31	1.3	-	3.3
Glasgow Income	int	0.95	Feb 28	1.4	2.75	3.2
Grampian TV	int	1.5	-	1.1	-	6.1
Heath (CE)	int	5	Jan 6	5	-	16
Henderson Strata	fin	1.4	Jan 21	1.4	1.4	1.4
Hogg Robinson	int	2.75	Jan 14	2.6	-	8.6
Locker (Thomas)	int	0.2	Jan 4	0.35	-	1
Merchant Retail	int	0.2	Mar 1	0.35	-	1.1
Porter Chadburn	int	nil	-	0.85	-	1.25
RPC	int	1	Jan 14	-	-	-
Shaw (Arthur)	int	0.5	Jan 14	nil	-	2
600 Group	int	0.5	Jan 13	1	-	1
Storehouse	int	2.5	Feb 10	2.5	-	5
Whitbread	int	5	Jan 7	4.75	-	17.75
Willis Corroon	int	1.85	Jan 4	3.3	8.6	13
York Waterworks	int	3.3	Jan 25	3.05	-	9.25

Dividends shown pence per share net except where otherwise stated. §USM stock.



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LEAD FROM STRENGTH.

Increased premiums help Willis Corroon

By Richard Lapper

HIGHER PREMIUM rates and the strength of the dollar helped Willis Corroon, the insurance broker, increase pre-tax profits by 15 per cent to £70.1m for first nine months of 1993, against £60.9m.

Profits in the third quarter, excluding discontinued underwriting operations in the UK, rose by 31 per cent to £8.9m.

Turnover for the nine months increased to £535.4m (£472.4m) including £3.7m (£15.9m) from discontinued operations. Earnings per share were 10.4p (9.9p) a fourth interim dividend of 1.85p is declared for a total of 6.6p (13.2p).

Reflecting higher rates in the reinsurance market and in UK direct insurance business, brokerage and fee revenue grew by 3.5 per cent in underlying terms. Willis warned, however, that "in the US market most premium rates, other than those for highly exposed property risks, are still depressed by competition".

Foreign exchange rate movements and in particular the strength of the dollar contributed £6.1m to profits, offsetting a fall in investment income to £39.9m (£41.9m).

York Water ahead to £1.4m

From turnover up from £3.66m to £3.92m, pre-tax profits of York Waterworks, the water supplier, moved ahead from £1.28m to £1.41m for the six months ended September 30.

Earnings per share were 15.7p (13.9p) while the interim dividend is increased to 3.3p (3.05p).

Directors said that seasonal factors meant that the second half's performance would not be as good as the first.

Exceptional helps lift CE Heath to £14.9m

By Richard Lapper

CE HEATH, the insurance broker, yesterday reported a jump in pre-tax profits from £4.19m to £14.9m for the six months to September 30.

Exceptional items accounted for £7.96m of the improvement – a credit of £3.25m contrasting with a loss of £4.71m last time – but rising insurance rates and the strength of the US and Australian dollars helped boost brokerage profits by 59 per cent to £5.8m.

Earnings per share amounted to 9p against losses of 0.2p. Before exceptional items, earnings rose by 43 per cent to 10.9p. The interim dividend is unchanged at 5p.

"Underpinning these results has been the rigorous expense control exercise commenced earlier this year," said Mr Michael Kier, chairman. Brokerage turnover rose 11 per cent to £56.6m and by 3 per cent in underlying terms. Expenses rose by less than 1 per cent and investment income fell by 27 per cent.

Some £2.7m of the higher turnover was due to currency factors. Underwriting profits, which stem from Heath's minority stake in HIH, the Australian insurer, increased to £4.8m (£4.2m). Heath reduced its stake in the company to 25 per cent in August with the profit from the sale producing an exceptional item of £3.25m.

The run-off at CE Heath Underwriting & Insurance produced a loss of £800,000. Computer services performed well with pre-tax profits increasing to £2.1m, compared with £1.7m. Peterborough Software produced profits of £1.7m on turnover of £14.3m.

● COMMENT

Heath is making positive progress in increasing brokerage revenues and reducing expenses and the group looks set to produce pre-tax profits of at least £30m for the full year. That would produce put the share on a prospective multiple of more than 17, which looks reasonable for the sector. Despite yesterday's positive exceptional item, the markets have become accustomed to unwelcome surprises on that front in the recent past, last year's provisions against Australian aviation reinsurance losses being the most recent example. Investors may need a little bit more time to be convinced that there is no more bad news in store, a fact which probably explains yesterday's unenthusiastic response from the markets with the shares closing unchanged at 399p.

Lucas dismisses pay rumours

By Paul Cheeseright, Midlands Correspondent

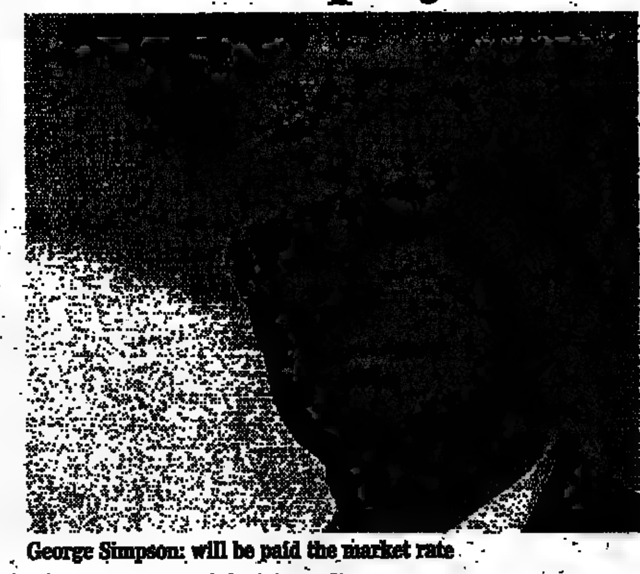
MR GEORGE Simpson, who takes over as chief executive at Lucas Industries, the international engineering group, next May, will be paid the market rate, Sir Anthony Gill, chairman and current chief executive, said yesterday.

Talking after a tranquil annual meeting in Solihull yesterday, Sir Anthony dismissed as "rubbish" widespread suggestions that Mr Simpson's remuneration package is worth millions of pounds.

"We are worshippers of the market. We live by the market," he said. This suggests that Mr Simpson will receive pay at or around the level received by Sir Anthony – £355,000 a year.

It will be topped up by a performance bonus, which on the basis of past practice at Lucas, could amount to between 10 and 12.5 per cent of his salary.

Mr Simpson will also receive a so far unspecified number of share options. When Mr John Grant last year became finance director he received options on 808,080 shares at what now *looks a low price of 99p a* share.



George Simpson: will be paid the market rate

Mr Simpson can expect more shares but at a higher price. Sir Anthony owns 660,000 shares and has options on a further 948,714.

Mr Simpson's arrival at Lucas presages further management changes. The group is splitting up the post of chief executive and chairman, with *Sir Anthony staying temporarily as non-executive chairman.* The handover, said Sir Anthony, "will take some thinking out", but he expects Mr Simpson to decide the order in which he wants to take over responsibilities.

"I've a vested interest in it working well. I have money tied up in the company," Sir Anthony added, referring to his shareholdings. "The understanding is that I would see in the new chief executive and then the nominations committee [of the board] would get to grips with the appointment of a new non-executive chairman. I'd be surprised if that's not sorted out by the end of next year," he said.

Although Sir Anthony observed that "it would be a rash promise to say there will be no more changes," Lucas now appears to be within reach of greater management stability.

There were three finance directors in four years.

The first retired, the second, Mr David Hankinson, "turned out not to be right for the sort of organisation we found ourselves having to have two years later," said Sir Anthony.

● The meeting heard that elections in relation to the enhanced scrip dividend alternative had been received in respect of holdings totalling 668.5m existing shares (about 94.3 per cent). BZW has received acceptances of its cash offer in respect of 193.5m existing shares (27.32 per cent).

Clydesdale advances 51%

By James Buxton, Scottish Correspondent

CLYDESDALE BANK, the Scottish bank owned by National Australia Bank, increased pre-tax profits by 51 per cent to a record £89.2m in the year ended September 30.

Sir David Nickson, chairman, attributed the improvement on last year's outcome of £59m to a combination of improved trading volume and reduced costs.

Operating profit was £127.4m (£96.3m) before a record charge for bad debts of £38.3m (£37.4m).

The charge, which the bank said reflected the depth of the recession, represented 0.8 per cent of total lending assets and the trend improved in the second half.

Sir David said pre-tax profits would have exceeded £100m but for a £12.8m restructuring provision relating to expected redundancies in connection with the project to centralise back-office processing in two centres, and to the opening of a single centre for dealing with telephone inquiries.

The project, announced in September, entails the loss of 1,400 jobs, mostly in branches, and the creation of 600 new jobs.

Mr Charles Love, chief executive, said net interest income had risen by 10 per cent, despite the fall in base rates, while commissions and other income had expanded by 11 per cent.

The bank's mortgage lending grew by 16 per cent.

The cost/income ratio fell from 64.6 per cent to 57 per cent before taking account of restructuring costs.

Clydesdale said the fall was mainly because of the coming through of savings from the restructuring of the headquarters operations from 1991, which had also involved job losses.

Overheads before restructuring costs fell by 3 per cent, comprising a fall in staff costs of 5 per cent and a reduction in other overheads of 1 per cent.

Mr Love, a former senior TSB executive who took over last year, has brought in a number of new senior staff, including Mr Peter Aslet, finance director, who came from British Petroleum.

He said the trend of business in Scotland was "more positive than negative" but the Scottish economy would improve more slowly than that of the south of England.

Total assets were down 3.3 per cent at £5.56bn, reflecting lower treasury activity in money markets.

Lower provisions behind jump at Yorkshire Bank

YORKSHIRE BANK, the National Australia Bank subsidiary, yesterday disclosed doubled pre-tax profits of £133.3m, against £66.6m, after raising its share of personal sector lending, and current and savings accounts.

The bank reported a pre-tax return on shareholders' funds of 44.5 per cent (18.1 per cent) in the year to September 30. Almost all the increase in pre-tax profits came from the halving of loan loss provisions to £68.3m (£131.9m).

Net interest income rose marginally to £275.8m (£273m) and other operating income rose to £106.7m (£99.7m). Operating expenses rose to £182.9m (£174.1m).

The bank said it had achieved volume and market share growth in several markets. New account volumes increased by 9 per cent to 475,000, and retail credit balances rose by 12 per cent to £2.4bn.

In common with other banks it raised the number of residential mortgages, advancing 1,400 loans, a 49 per cent increase on 1991-92. The bank has opened an additional five branches in the south of England.

Mr David Knight, chief executive, said the bank had produced "excellent results" despite difficult economic conditions.

Porter Chadburn cuts interim deficit to £1.4m

By John Murrell

SHARPLY LOWER provisions enabled Porter Chadburn, the packaging, consumer products and specialist distributor, to cut its losses from £5.3m to £1.4m pre-tax for the half year to October 1.

However, the directors said the group's performance over the period had been poor with operating profits last time of £2.2m pre-exceptionals being turned into losses of £62,000.

They are omitting the interim dividend (0.85p) and said the level of final would depend on the full year results and trading prospects at that time. The shares fell 3p to 15p.

Turnover declined to £66.3m (£67.4m). Exceptional charges, mainly provisions for withdrawing from certain loss-making operations, accounted for £675,000 compared with £7m previously.

Packaging returned operating profits of £1.66m (£2.29m) on turnover of £30m (£23.9m), consumer products incurred a loss of £1.32m (profits £729,000) on turnover of £27.5m (£30.6m) while specialist distribution profits fell from £379,000 to £179,000 on turnover of £8.75m (£8.13m).

Losses per share emerged at 1.72p (5.52p). Net debt at the period-end amounted to £14.1m (£13.6m).

NEWS DIGEST

Bett Bros in the black with £4.4m

BETT BROTHERS, the Dundee-based property, building and leisure group, returned profits of £4.36m pre-tax for the year to end-August. That compared with a restated deficit of £9.73m.

The results benefited from the release of a property provision amounting to £2.4m, property gains of £207,000 (losses £1.9m) and a reduction in interest charges to £749,000 (£2.49m).

Earnings emerged at 7.63p (losses 46.2p). A final dividend of 1.5p makes a 2p (nil) total. Year-end borrowings stood at £7.2m (£8.9m), giving gearing of 52 per cent (89 per cent).

The shares closed 8p higher at 101p.

Trio shares drop on profit warning

Trio Holdings, the revamped investment trust, warned yesterday that although it continued to trade satisfactorily, its results for the year to September 30 were not expected to meet market expectations.

Directors said they had noted the recent movement in the share price, which last night closed 10p down at 51p.

The results, which will be announced in December, included eight and a half months trading of Martin Bierbaum, which was acquired in January.

Martin Currie net assets improve

Net asset value per share of Martin Currie European Investment Trust stood at 117.7p at October 31. That compared with 82.6p 12 months earlier and 93.8p at the April 30 year end.

Attributable profits for the half year declined to £99,000 (£174,000), equal to earnings of 0.43p (0.76p) per share.

Ruberoid offer oversubscribed

The share offer for Ruberoid, the roofing subsidiary Tarmac is spinning off to the market, has been oversubscribed.

A further announcement as to the level of subscription and the basis of allocation of shares is expected to be made today.

More than 30m shares – 65 per cent of the issue – are being placed firm with institutions. The balance of 16.5m shares is being placed under the offer. At the flotation price of 150p, Ruberoid was valued at about £72m.

The issue is expected to raise £68.8m for existing shareholders, principally Tarmac subsidiaries, and £2m for the company.

Arthur Shaw in black at midway

Arthur Shaw, a maker of builders' hardware and supplier of engineering products, maintained its improvement in the 26 weeks to October 3 with pre-tax profits of £243,000, against losses of £124,000 in the corresponding 27 weeks of 1992.

Turnover grew 22 per cent to £9.85m. Earnings per share were 1.83p (1.03p losses) and the interim dividend is restored with a payment of 0.5p – last year there was no dividend and £99,000 losses were incurred.

The shares rose 4p to 50p.

Brockhampton hits £3.43m

Profits at Brockhampton Holdings, parent of Portsmouth Water, advanced from £1.87m to £3.43m pre-tax for the six months to September 30.

Turnover of £12.7m (£11.8m) reflected an 8 per cent lift in charges. Earnings rose to 30.5p (15.5p) and the interim dividend is boosted to 3p (2.2p).

Profits benefited from a surplus on the disposal of a site at Bognor, a temporary shortfall in the annual investment in mains renewals (which will be rectified in the second half) and control of operating costs.

Although a weaker second half was expected, the group still looked for a "satisfactory outcome" for the year as a whole. The shares rose 15p to 408p.

Gaelic Resources looks to new process

Gaelic Resources, the Dublin-based oil group, reported a reduced net deficit of I£537,472 (£507,528) for 1992 partly reflecting its review of exploration operations and moves into other oil activities.

The group acquired Interoil – which holds marketing rights to Vis-Breaker, an unproven oilfield engineering process to reduce heavy crude viscosity at the wellhead – in April. Mr Ian Forrest, chairman, said testing should be completed by the end of next year. "If successful ... the Vis-Breaker will enjoy a major international market, bringing significant benefits from direct sales and related licence fees."

Losses per share were 0.39p.

Litho placing and offer result

Under the placing of Litho Supplies, the printing products distributor, 14.08m shares were placed by Hoare Govett Corporate Finance with its clients at 190p apiece.

Of these, 7.89m were placed and the remaining 6.18m were offered to intermediaries, in accordance with Stock Exchange rules, subject to 615,168 being set aside for eligible Litho employees and 394,737 being reserved for independent marketmakers.

In the event, employees applied for 115,700 shares, which will be satisfied in full.

Valid applications in respect of 4.21m shares were received from intermediaries for the 5.67m shares available under the intermediaries offer which will be satisfied in full.

The balance of 1.46m shares will be taken up by Hoare Govett clients.

Forward Group rises to £930,000

Interim profits at Forward Group, the USM-traded printed circuit board maker, rose from £491,000 to £930,000 pre-tax, of which acquisitions contributed £290,000.

Turnover for the six months to July 31 of £10.2m (£5.77m) included £2.94m from acquisitions. Earnings worked through at 8p (4.5p) and the interim dividend is lifted to 2p (1.3p).

COMPANY NEWS: UK

Travel agency sale lifts Hogg Robinson to £14m

By Michael Skapinker, Leisure Industries Correspondent

HOGG ROBINSON, the business travel, financial services and transport group, yesterday reported that the sale of its travel agency chain to Airtours last June helped boost half-yearly profits from £10.1m to £14.3m.

A strong performance from the remaining business travel division outweighed lacklustre performances in financial services and transport.

Turnover for the six months to September 30 fell to £78.8m (£89.3m). Operating profit from continuing operations rose to £5.55m (£5.47m). The interim dividend goes up to 2.75p (2.6p), payable from earnings of 17.28p (9.35p) per share.

The pre-tax profit figure includes a £6.7m net book gain from the sale of the travel chain. The result includes only a three-month contribution of £1.2m from the chain, compared with a six month figure of £3.45m last year.

Mr Brian Perry, chairman, said the business travel division now had 34 of the leading 100 UK quoted companies as customers. Business travel operating profits increased to £1.62m (£900,000).

Operating profits at the financial services division were only marginally ahead at £2.35m (£2.34m). The group said the division had suffered as companies had deferred decisions on pensions while they awaited the outcome of expected legislative changes. The prospect of change is, however, expected to boost demand for short-term consultancy work.

Operating profits at the transport division fell to £2.5m (£3.17m). European trailer and port operations performed well, but air freight suffered from low volumes and reduced margins.

The group added that it had experienced a marked lull in cargo movements to the Falkland Islands, which had adversely affected yields on its regular shipping services to the South Atlantic.

Ugland starts trading at 108p

By David Blackwell

SHARES IN Ugland International, formerly Bristol Channel Ship Repairers, started trading yesterday at 108p.

The shares were suspended in August at 8p pending the reorganisation of the company which was completed on Monday.

The 80m 10p BCSR shares were consolidated into 4m ordinary shares with a nominal value of 20p and an effective worth of 160p.

The company is offering a further 19.96m shares through a rights issue at 100p. The new company will have 24m shares in issue and a market capitalisation of about £26m.

The rights, underwritten by Nomura International, will raise almost £19m net of expenses. Just over £16m will be used to buy Ugland Brothers, a ship management business, UB Shipping, which owns nine general cargo vessels, and a deep sea car-carrying vessel.

Mr Andreas Ugland, chairman, and his family interests hold some 30 per cent of the shares and are taking up their rights in full.

The board believes that the combination of the former BCSR repair operations in Swansea and the Ugland businesses will "provide the foundations for a significant integrated international shipping group."

Joint stockbrokers to the rights issue, which closes on December 8, are Kleinwort Benson in the UK and Fondsfinans in Norway, where the company will seek a listing next month.

Barratt urges Budget caution

By Andrew Taylor, Construction Correspondent

SIR LAWRIE Barratt yesterday joined the growing number of construction company chiefs to appeal to the government not to damage the housing market in the Budget.

Sir Lawrie, chairman of Barratt, one of Britain's best known housebuilders, told shareholders at the company's annual meeting that speculation about measures in the Budget had dented the confidence of potential purchasers during the past two months.

Construction companies and building materials suppliers are concerned that the chancellor may damage one of the few markets showing signs of recovery by further reducing the rate of mortgage tax relief. This is already planned to fall from 25 per cent to 20 per cent from next April.

Trevor Humphries

Sir Lawrie Barratt: modest improvement in house sales this year

Sir Lawrie said that any further reduction could undermine the modest improvement in house sales achieved this year. He said that the company had increased house sale by 25 per cent since July 1 compared with the corresponding period.

Comparisons, however, were against a severely disrupted trading period last year following sterling's withdrawal from the ERM and the re-introduction of stamp duty on house purchases.

Nevertheless, the group expected to achieve its target of 5,750 houses in the current financial year, Sir Lawrie said.

The housing market in the US was also improving. Sales since July 1 were 15 per cent higher than during the corresponding period last year.

● Mr Peter Parkin, chairman of Raine, the housebuilder and contractor, also reported a rise in new house sales compared with "the exceptionally low levels of the comparative period last year."

Mr Parkin, speaking at the annual meeting, said the group had experienced its "traditional autumn surge in interest from potential home buyers" with strong rises in visitor levels and net reservations.

The southern Californian market, unlike other parts of the US, was still experiencing difficulties, said Mr Parkin.

He added that if the UK housing market remained buoyant, borrowings at the end of the financial year would be only slightly higher than at end-June this year.

Merchant Retail falls into the red

Difficult trading conditions and losses on disposal of businesses left Merchant Retail Group with pre-tax losses of £31,000 for the half year to September 25, against profits of £467,000.

The company said trading was particularly difficult at Normans, the supermarket chain in the south-west of England.

Despite good performances by the two recent openings, sales declined by 1 per cent and margins remained under pressure.

Sales at Joplings, the north-east of England department store chain, were up 3 per cent and margins had firmed slightly.

The Perfume Shop, where the number of branches had doubled to 18, showed losses of £202,000 which was lower than budgeted. However, the expansion was making the group more dependent on second half trading.

There were losses of £223,000 on the sale of Barnums and Town and Country Manner.

The shares fell 3p to close at 12p.

Turnover was £80.3m (£81.2m) for operating profits of £1.08m (£1.31m). Interest charges were lower at £887,000 (£1.2m).

Losses per share were 0.16p (earnings 0.44p). The interim dividend is cut to 0.2p (0.35p).

US gas sales offset tax changes at Hardy Oil

By Robert Corzine

THE BUOYANCY of the US market for natural gas helped lift half year turnover at Hardy Oil & Gas, the independent exploration and production company, by 40 per cent to £29.5m in the half year to September 30, compared with £21.1m.

However, the negative impact of recent UK tax changes resulted in after-tax profits sinking by 17 per cent to £3.88m (£4.68m).

The company yesterday confirmed that the government's removal of tax concessions for exploration activities in last March's Budget was affecting short-term cash flow and earnings. Its Petroleum Revenue Tax credit in the period was £1.68m, against £4.1m.

Mr Douglas Baker, chairman, said the change had "adversely affected the risk/reward ratio of exploration in the United Kingdom continental shelf". He added that Hardy would continue to explore in UK waters, but "opportunities there will have to be more rigorously justified".

The effect of the UK tax changes were partially offset by Hardy's strong position in the US, which accounted for half of group operating profits, which almost doubled to £6m (£3.2m). The US contribution was £3.12m (£984,000), the result of higher volumes, stronger US gas prices and positive foreign exchange movements.

Pre-tax profits were £2.14m (£527,000). Earnings per share were 3.8p (5p).

Mr Baker noted that Hardy's high levels of gas production, accounting for two thirds of current output, had reduced its vulnerability to low oil prices. He predicted that Hardy would continue to benefit from rising gas production in the US, where prices remained buoyant because of seasonal high demand.

"The group's operating cash flow, even at current levels, should substantially exceed that for last year," he added.

The company also pointed to exploration successes in Canada and Pakistan as positive factors for future growth.

Millwall's lossmaking run continues with £1.1m deficit

By Christine Buckley

MILLWALL, the USM-quoted football company, yesterday continued its lossmaking run with pre-tax losses of £1.09m for the 12 months to May 31. However, this marked a significant improvement over the comparable deficit of £3.64m.

Millwall, which this year opened a new £15.5m stadium for its first division team, blamed part of the loss on the last fall-out from its ill-fated foray into the pubs business.

It attributed £300,000 of the loss to the difference between its holding in Leisuretime Inns – previously named Tavern Leisure – and cash realised on disposal. Millwall bought Tavern in 1990 for £10m, but the chain proved a drain on resources.

Mr Reg Burr, chairman, was confident that the company, which has had an unsettled time since its flotation in 1989, had seen the worst. "We have now turned the corner."

Millwall was floated at 20p a share. Yesterday the shares stood at 3p, a fall of ¼p on the day.

Turnover was £2.67m (£3.38m). On an FRS 3 basis, losses per share were reduced from 4.47p to 0.68p. Again there was no dividend.

Profits on the transfer of players were little changed at £1.09m (£1.07m).

The value of Millwall's assets are far in excess of its market capitalisation, which stands at £9.35m, and persistent rumours have run through the market of a potential bid.

But Mr Burr, whose company was earlier this year in failed preliminary talks concerning a cash injection, said he had had no approaches.

DFS share allocation

In respect of the 17.51m DFS Furniture Company shares made available to the public from the initial 50.03m shares offered, some 16,331 valid applications were received for a total of 23.14m shares.

The basis of allocation for the offer, which was 1.3 times subscribed was:

Between 200 and 9,000 shares – 100 per cent; between 10,000 and 70,000 – 90 per cent; between 80,000 and 100,000 – 80 per cent; between 110,000 and 190,000 – 70 per cent; between 200,000 and 390,000 – 60 per cent; between 400,000 and 1m – 50 per cent; more than 1m shares – 25 per cent.

Heavy demand for Hozelock

Demand has been heavy for shares in Hozelock, the garden equipment manufacturer coming to the market with a valuation of £60m, writes David Blackwell.

Barclays de Zoete Wedd said yesterday it had received valid applications for 11.6m 5p shares at the issue price of 250p, making the offer 2.1 times subscribed.

A total of 5.6m shares were available to intermediaries, who have been allocated 47.5 per cent of shares applied for.

Apartment sales help Regalian to cut losses

By David Blackwell

REGALIAN Properties yesterday announced losses sharply reduced from £21.5m to £869,000 for the six months to end-September.

Mr David Goldstone, chairman, said the outcome showed that the group had survived recession and turned the corner.

While the situation remained difficult on the commercial side, "there is just that slight buzz in the residential market," he said.

The improvement was chiefly attributable to the sale of 16 out of 20 apartments at Kensington Palace Gardens, the luxury block near Kensington Palace. Sales of the group's London portfolio had made dramatic progress, he said, adding that only seven apartments were now left to sell.

The recently announced joint venture to convert Alembic House, on the south bank of the Thames opposite the Houses of Parliament, from an office block to residential apartments marked a turning point in the group's fortunes, he suggested.

Net debt at the end of September was down to £21m, compared with £64.6m at the end of March. Net interest payable fell from £4.68m to £1.92m. There were no provisions against the portfolio, compared with £18.3m last time.

Total turnover rose to £50.5m compared with a previous £48.2m.

Losses per share were 0.74p, down from 16.22p. Net assets per share were 35.76p (36.51p).

The shares rose 2p to 23½p.

Saudis face pressure for oil production cut

By Mark Nicholson in Riyadh and Robert Corzine in London

PRESSURE IS likely to grow on Saudi Arabia over the next few days to take the lead in cutting oil production in order to underpin weak prices, according to analysts.

Saudi Arabian officials have refused to comment on their stance at next week's meeting in Vienna of oil ministers from the Organisation of Petroleum Exporting Countries, although one said "price is an important key issue".

But he warned that any action undertaken by Opec next week would have to "deliver", adding: "Any action which will not deliver will not be followed."

In Tehran the Iranian news agency Irna reported that Opec ministers would have to consider a 3 to 5 per cent cut in the 24.52m-barrels a day production ceiling set in September.

Mr Joseph Stanislaw, managing director of Cambridge Energy Associates in Paris, predicted that Saudi participation in "getting the volume down by about 300,000 barrels a day would have a very strong effect on the markets".

The Saudi official professed, however, to being "baffled" by the market's softness, which has persisted in recent weeks after an initial boost following the September Opec accord.

He suggested that higher North Sea output and the arrival on the market of Gulf crude pumped before the Opec meeting in Geneva at the end of September were among the factors contributing to the price weakness.

"At the time when Opec is making every effort to decrease our production, there has been a consistent increase by others," said the official, pointing out that Norway's output has risen in recent weeks and that Oman, also outside Opec, last week announced record output levels of 800,000 b/d - a 50,000 b/d rise on last year's average.

The Saudi official flatly denied that the kingdom's decision to hold output at 8m b/d under the September accord, while other states were permitted a slight rise in production, signalled a return to being the cartel's swing producer.

Norske Shell, the Norwegian unit of the Royal/Dutch Shell group, said yesterday that oil leaking from a storage tank on its NKr2bn Draugen platform had ceased and that traces of oil seen at a joint on another tank had disappeared, writes Karen Fossli in Oslo.

The leak was discovered late on Sunday and production was halted for 36 hours. Norske Shell estimated the volume of oil leaked at less than 10 cu m and said none had been seen on the surface. The tanks are being examined by a camera on an remotely-operated vehicle.

"The authorities are being continuously updated on the results of the investigations. These results are also sent to NC for investigation and use in the efforts to determine the causes, effects and methods of sealing the leakage source," Shell said.

Sharp fall in world stocks may boost sugar prices

By Deborah Hargreaves

THE SHORTFALL in world sugar production against consumption is expected to reach 1.58m tonnes for 1993-1994 - higher than previous forecasts - which could lead to a run-up in sugar prices next year.

Sugar prices moved higher on New York's Coffee, Sugar and Cocoa Exchange yesterday - in mid-morning's trading the March futures contract was 18 cents higher at 10.36 cents a lb.

The deficit in the sugar crop is expected to cause a draw down in world raw stocks of 2.18m tonnes (including a 600,000-tonne allowance for wastage) according to a review of the sugar industry published by C. Czarnikow Sugar Futures, the London broker. Czarnikow's previous review, published in August, predicted a stock reduction of 1.8m tonnes.

World sugar output is forecast to reach 112.27m tonnes in the 1993-1994 season - a slight increase on last year's 111.77m tonnes. But consumption in 1994 is expected to rise to 113.86m tonnes from 112.3m in the previous year.

World stocks are still sufficient to meet demand following the record production in 1991-1992. Mr Chris Pack at Czarnikow said: "stocks are disappearing out of the system. It's not becoming critical yet but it is much closer in balance".

Sugar prices have been buoyed in recent weeks by the prospect of tighter supplies in the first half of next year. But the recovery in the African crop which had been severely depleted by drought in the past two years looks set to depress the market in the second half of next year.

Production problems in India are expected to lead to a crop not much above last year's depressed level, according to Czarnikow, which has reduced its production estimate by 270,000 tonnes to 11.69m, compared with 11.53m tonnes in 1992-1993.

Mr Pack believes that India will have to be an active buyer of sugar next year as domestic consumption continues to rise, and its demand could support prices.

Newmont finds glittering prize in Peru

Sally Bowen on a gold project that is attracting the interest of other foreign miners

A GROUP of big-name international mining concerns is hard on the heels of Denver-based Newmont Mining's hugely successful new gold venture in the north-central Peruvian Andes. RTZ, Placer Dome, American Barrack and Genmin are among the overseas companies reported to be eager to snap up similar bargains among still-available concessions.

Minera Yanacocha poured its first gold on August 7 and is on target to repay the $36.6m capital investment in a staggeringly short seven months. Yanacocha is a joint venture between Newmont, the Peruvian mining group Buenaventura and Mine Or of France, a subsidiary of BRGM. The World Bank's International Finance Corporation came in at a late stage to take up 5 per cent of the shareholding.

"Nowhere in the world have we seen ore like this," says Mr Len Harris, Newmont's general manager in Peru. "And nowhere else have we received more co-operation from a government."

The disseminated low-grade deposit, some 45km from the Andean town of Cajamarca, has been documented for well over a century. The original claim was staked by Cedimin, a company formed by BRGM and Buenaventura. Newmont entered into an exploration agreement with Cedimin in 1984 and has directed operations ever since.

What has finally made exploitation of the Yanacocha deposit feasible is the development of leaching techniques during the past decade. Newmont, now the largest gold producer in the US, pioneered the process. Yanacocha is one of Peru's earliest experiences of the technique, already widely used in neighbouring Chile.

The ore at Yanacocha is exceptionally porous. After a little blasting it can be scooped up by loaders and trucked straight to the leach-pads. There it is simply flattened by bulldozers prior to leaching. No crushing is required, which reduces costs considerably.

"It was always obvious that, technically, this was a marvellous deposit," says Mr Harris. "Security has been Newmont's prime concern, but it's just another risk in a risky business - and you resolve it by getting good people to protect you."

Now, in and around the site, a contract company provides probably the tightest security ever seen in Peruvian mining. The ratio of guards to workers is almost one to one.

Transport and air-freight of the end-product - dore bullion ingots containing 60 per cent gold and 40 per cent silver - is handled by Johnson Matthey, the UK-based refiner, which is purchasing all Yanacocha's present output.

Newmont officials say output from the three mines in the Carachugo deposit, where work is at present concentrated, should top 250,000 troy ounces next year. That would almost double Peru's official gold output level, according to Mr Daniel Hokama, the mines minister.

For 1995, prospects are even more glittering. Another deposit in the same concession area as Carachugo, known as Maqui Maqui, "looks to be a bigger and higher grade ore-body", says Mr Harris. Feasibility studies are now being completed by Kilborn of Canada and it is hoped that the Newmont board will give the go-ahead this month.

Carachugo's mineable reserves are reckoned to total 28.7m tonnes, giving the deposit a life of between five and six years. Average gold content is 1.38 grams a tonne - high for the leaching technique. Newmont profitably leaches gold with as little as 0.6 grams a tonne in its US mining operations.

Maqui Maqui could bump up total output from the Yanacocha concession to well in excess of 6m tonnes, say Newmont officials. And there are still more promising anomalies within the 25,000-hectare concession site.

Local groups have expressed fears of environmental damage from a possible escape of the cyanide solution used to leach the ore. Newmont officials say, however, that they are applying "the same stringent precautions in Peru as we would in the state of Nevada".

All pipes carrying the cyanide solution from leach-pads to plant run through plastic-coated channels; there are sophisticated monitoring devices to detect leaks; a large pond has been built to catch overflow in case of exceptionally heavy rainfall; and $250,000 has been spent on the Canadian "Inco" process to neutralise the cyanide solution to drinking water standards if it ever became necessary to discharge the solution.

"We're doing more here than the law calls for," says Mr Harris. "That's right - it's also good business."

Kanowna Belle, often described as the best gold find in Australia for ten years - with resources of more than 4m troy ounces and an expected mine life of more than 20 years - was formally opened yesterday by Mr Richard Court, premier of Western Australia.

Located 18km north east of Kalgoorlie at the old Kanowna mining centre, the mine is expected to produce 150,000 ounces of gold in its first year rising to an annual 170,000 ounces once a refractory (difficult) ore processing facility starts up towards the end of 1994. Joint venture partners, Delta Gold and North Broken Hill Peko, spent A$76m to bring the mine into production after drilling pin-pointed the deposit, well away from old workings, late in 1989.

Prolonged drought delays sowing of Greek winter wheat

By Kerin Hope in Athens

GREEK FARMERS have had to postpone sowing winter wheat this autumn, because of a severe drought affecting much of the country. The first rainfall in six months in Thessaly, the main grain-producing region, came last week but was not enough to soften the ground for sowing.

Hard wheat output in Greece averages about 1.4m tonnes yearly, of which 80 per cent is exported. This year's crop amounted to only 900,000 tonnes, even though farmers in drought-stricken districts resorted to irrigating the wheat crop.

Soft wheat output fell to 900,000 tonnes, compared with 1.9m tonnes last year. However, exports have not been affected as durum wheat reserves are high after after a bumper harvest in 1992, amounting to 1.8m tonnes.

Production of maize, which relies on intensive irrigation to achieve adequate yields, dropped by 25 per cent to about 1m tonnes this year.

"It's clear that after three dry winters in the past five years, reserves of ground water are getting dangerously low," said Mr Paris Diamandouros of Diamandouros Brothers, a leading grain exporter.

Greece's main winter crops, olives and citrus, will also be affected by the drought. The agriculture ministry's initial estimates suggest that yields will be down by 20 and 25 per cent respectively, unless rainfall is heavy over the next month.

The ministry has not yet calculated the cost of the drought, but independent analysts reckon it will amount to at least $400m in lost production.

Citrus output could fall to about 800,000 tonnes, according to early estimates from growers. Production of olive oil is not likely to exceed 220,000 tonnes this season, down from 280,000 tonnes last year.

While growers in western Greece, where rainfall has been close to normal levels, forecast an average crop, production is forecast to drop sharply in other olive-growing regions.

Among the worst-affected is the island of Mytilene, where output is forecast at 6,000 tonnes, compared with 30,000 tonnes in the 1992-93 season.

On Crete, a 25 per cent drop in precipitation this year, means that farmers in mountainous districts, where trees cannot be irrigated, could lose most of their crop. Mr Stelios Papadakis, whose olive trees are in the foothills of Mount Ida, said: "The fruit is so shrivelled, it may not be worth paying the cost of picking this winter".

However, olive oil prices, now about Dr750 ($3) a kilogram, are not likely to not rise sharply. Some 80,000 tonnes of oil is being stored by co-operatives around Greece, while local consumption of olive oil has been declining at a rate of about 4 per cent a year, according to Elaiourgiki, the state-controlled marketing co-operative.

US producers seek big CIS aluminium cut

By Kenneth Gooding, Mining Correspondent

THE US ALUMINIUM industry yesterday urged its government to negotiate an immediate cut of 1.1m tonnes in Commonwealth of Independent States' aluminium production and for CIS exports of the metal next year to be held at a maximum of 500,000 tonnes.

This request was delivered ahead of multilateral negotiations in Washington next month between some of the major aluminium-producing countries.

The US Aluminium Association said that during the past 16 months 700,000 tonnes of annual capacity had been curtailed in the US and 5,000 workers laid off because of problems caused by a surge in CIS exports from 250,000 tonnes in 1989 to a projected 1.6m tonnes this year.

Mr Richard Holder, the chairman of the association, said that, because CIS domestic demand was so weak, production cuts were "the only feasible means" of achieving export targets.

Mr Alan Bekhor, managing director of Trans-World Metals, said to be the largest trader in CIS aluminium, claimed, however, that "Russian production has not increased, it has just been switched from domestic military applications to export".

Chicago traders tired of being early birds

By Laurie Morse in Chicago

OLD HABITS die hard. At the Chicago Board of Trade, where the opening bell for grain futures had rung at 9.30am for 100 years, traders are having trouble adjusting to starting work an hour earlier.

In response to a petition by disgruntled members, the exchange will on November 30 hold a vote on whether to ditch the new schedule.

The CBoT moved to an 8.30am opening in July in an effort to position its agricultural contracts more prominently in the European business day. The action came after a membership vote in May of 683 to 347 in favour of the plan.

While CBoT agricultural volume increased through the summer, traders say the surge was due to midwestern floods and a drought in the south-east which reduced maize and soyabean harvests. The extra hour of trading has done little to boost European business, critics say, and they're tired of the inconvenience.

The board of director's decision to put the issue to a membership vote for a second time this year reflects the fragmented state of the exchange's leadership. Mr Patrick Arbor, the chairman, strongly supports the earlier hours, and believes they should be tested for a full year to see if they improve exchange competitiveness.

● Lumber futures at the Chicago Mercantile Exchange skidded yesterday despite news on Wednesday that US housing starts had reached their highest level in four years in October, and that the issue of housing permits, an indicator of future building activity, was also on the increase.

Lumber prices for January delivery dropped as much as $10 per 1,000 thousand board-feet as traders reacted to weak prices in the underlying cash markets. The futures contract, which peaked at $419.60 on November 9, has retreated by nearly $50, in part because high prices have discouraged wholesale buying at sawmills, and wood delivered against the November futures contract has dumped cheaper supplies on the secondary markets.

"The mills are trying to market lumber at a cash price of about $350, while the secondary market is at $370," said Mr Curt Cunningham, a forest products analyst at Pacific Trading in Seattle. At $373, the futures contract was indicating a cash price of about $362, he said.

Over the longer term, strong housing demand and sharply reduced timber cutting would support prices, he added. "I think you'll probably see futures move to last year's price peaks or higher."

WORLD COMMODITIES PRICES

MARKET REPORT

The GOLD price rose sharply in London but proved unable to better its recent peak on $378.50 a troy ounce and closed at $377.25, up $5.25 on the day. Dealers said the rise was sparked off on New York's Comex and then fuelled by London-based short-covering. "We're seeing US fund and trade demand, and London was a little short anyway and has had to cover," one explained. SILVER prices were similarly firmer, with cash metal climbing 15 cents to $4.68 an ounce after breaking through long-standing resistance at $4.60. At the London Metal Exchange the NICKEL market's failure to build on an early advance above $4,700 a tonne for three months metal prompted selling back down to $4,640, a loss of $60 from Wednesday, although some late commission house buying cushioned the fall. The London Commodity Exchange March COCOA futures price proved unable to make further ground after edging to a new second position peak of £1,028 a tonne in the morning, although the rise did not attract substantial producer selling, dealers said. The price closed at £1,019 a tonne, down £2 on balance.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$14.25-4.35z	-0.21
Brent Blend (dated)	$15.33-5.35	-0.29
Brent Blend (Jan)	$15.94-5.98	-0.21
W.T.I (1 pm est)	$17.19-7.22z	-0.22
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$171-173	
Gas Oil	$173-174	-1
Heavy Fuel Oil	$90-61	-1
Naphtha	$148-152	-0.8
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$377.25	+5.25
Silver (per troy oz)♣	468.50c	+15.00
Platinum (per troy oz)	$379.00	-1.25
Palladium (per troy oz)	$129.50	-0.25
Copper (US Producer)	79.0c	
Lead (US Producer)	32.75c	
Tin (Kuala Lumpur market)	11.93r	
Tin (New York)	217.00c	
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	118.76p	-1.24*
Sheep (live weight)†♣	85.21p	+2.65*
Pigs (live weight)†	70.69p	-1.50*
London daily sugar (raw)	$257.70	+0.3
London daily sugar (white)	$286.00	+2
Tate and Lyle export price	£265.50	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120.5	
Wheat (US Dark Northern)	£165.0	+10
Rubber (Dec)♥	60.50p	
Rubber (Jan)♥	60.75p	
Rubber (KL RSS No 1 Jul)	207.0m	
Coconut oil (Philippines)§	$465.0v	+15
Palm Oil (Malaysian)§	$347.5w	+2.5
Copra (Philippines)§	$312.5	+2.5
Soyabeans (US)	£203.5	+1.5
Cotton "A" index	55.05c	+0.5
Wooltops (64s Super)	353p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Jan v-Dec/Jan u-Dec w-Nov/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low	
Jan	15.98	16.11	16.17	15.90
Feb	16.22	16.36	16.39	16.19
Mar	16.37	16.54	16.53	16.37
Apr	16.56	16.66	16.71	16.56
May	16.67	16.80	16.80	16.67
Jun	16.98	17.00	16.96	16.90
Jul	17.07	17.00	17.07	17.01
Aug	17.10	17.00	17.10	
Sep	17.20	17.10	17.20	
IPE Index	15.97	15.82		

Turnover 16355 (36658)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low	
Dec	168.50	167.25	169.00	167.75
Jan	166.50	165.75	167.25	166.00
Feb	164.50	164.00	165.25	163.75
Mar	163.00	163.25	164.00	162.00
Apr	161.25	161.25	162.00	160.25
May	160.75	161.25	162.00	160.50
Jun	161.25	161.75	162.00	160.50
Jul	163.75	163.00	163.50	162.25
Aug	164.50	164.25	165.50	164.50
Sep	166.00	165.25	167.00	165.50

Turnover 20949 (14528) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Latest	Previous	High/Low	
Mar	279.00	274.80	280.50	274.00
May	282.00	278.80	282.00	277.00
Dec	270.20	269.50	270.30	269.80
Mar	272.20	271.80	272.20	271.20

Turnover 1137 (550) Paris- White (FFr per tonne): Dec 1673.38 Mar 1691.82

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low	
Mar	10.65	10.38	10.64	10.35
May	10.92			
Jul	11.17	10.93	11.05	

Turnover 285 (90) lots of 50 tonnes.

COCOA - LCE (£/tonne)

	Close	Previous	High/Low	
Dec	978	981	982	968
Mar	1019	1021	1028	1015
May	1005	1011	1016	1004
Jul	1004	1006	1016	1002
Sep	982	1007	1016	1002
Dec	983	988	993	981
Mar	985	1000	990	982
May	990	992	989	988
Jul	993	994	993	993
Sep	997	997	1000	993

Turnover: 7972 (10570) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 17 880.90 (864.58) 10 day average for Nov 18 928.69 (918.25)

COFFEE - LCE ($/tonne)

	Close	Previous	High/Low	
Nov	1267	1267	1291	1267
Jan	1300	1296	1305	1285
Mar	1252	1247	1255	1240
May	1229	1230	1235	1224
Jul	1227	1226	1232	1227
Sep	1221	1211	1230	

Turnover: 4944 (7604) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 17 Comp. daily 70.28 (70.01) 15 day average 69.43 (69.20)

POTATOES - LCE (£/tonne)

	Close	Previous	High/Low
Apr	91.3	91.8	91.0
May	109.3	107.5	105.0

Turnover 15 (132) lots of 20 tonnes.

FREIGHT - LCE ($10/index point)

	Close	Previous	High/Low	
Nov	1280	1280	1280	1278
Dec	1276	1280	1280	1270
Jan	1283	1285	1290	1285
Apr	1305	1305	1305	1300
Jul	1370	1370		
BFI	1294	1300	1294	

Turnover 154 (28)

GRAINS - LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	99.35	98.90	99.30	99.00
Jan	101.15	100.85	101.15	100.50
Mar	103.15	102.85	103.15	102.50
May	[illegible]	[illegible]	[illegible]	[illegible]
Sep	90.65	90.75	90.50	90.50
Nov	91.75	92.00	91.75	91.75
Barley	**Close**	**Previous**	**High/Low**	
Jan	103.70	103.60	103.75	
Mar	105.85	105.75		

Turnover: Wheat 162 (180) Barley 7 (2) Turnover lots of 100 Tonnes.

FRUIT & VEGETABLES

Spanish satsumas are this week's best fruit buy reports the FFVIB. They are currently available for 4-12p each, depending on size. Spanish Navel oranges are also good value at 15-30p each depending on size. English and French apples are also good value. English Spartans are 25-45p a lb and French Braeburns are widely available for 40-60p a lb. English and Dutch cauliflowers are 30-50p each depending on size and there is a number of cabbage varieties available. English and Dutch white cabbages are 15-25p a lb. English Brussels sprouts are available this week for 15-29p a lb making them this week's best vegetable buy.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,461 lots
Cash	1041-2	1032-3		1039.5-40		
3 months	1062-3	1054-5	1067/1060	1060.5-61	1061.5-2.0	232,605 lots
Copper, Grade A ($ per tonne)						Total daily turnover 34,777 lots
Cash	1619-20	1613.5-4.5		1619-20		
3 months	1641.5-2.0	1637.5-8.0	1643/1639	1641.5-42	1640.5-1.0	201,609 lots
Lead ($ per tonne)						Total daily turnover 3,507 lots
Cash	397.5-8.5	398-9	400.5	400.5-01		
3 months	411-2	412-2.5	415/411	414-14.5	411-2	24,877 lots
Nickel ($ per tonne)						Total daily turnover 8,495 lots
Cash	4610-5	4607-12		4610-15		
3 months	4770-1	4670-2	4740/4645	4675-80	4645-50	47,260 lots
Tin ($ per tonne)						Total daily turnover 2,221 lots
Cash	4620-30	4600-5		4600-03		
3 months	4630-5	4630-5	4670/4635	4650-51	4635-40	14,312 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 29,416 lots
Cash	930.5-1.5	925-6	931	931-31.5		
3 months	948-8.5	943-4	951/947	947.5-48	949-50	78,173 lots

LME Closing £/$ rate: SPOT: 1.4785 3 months: 1.4691 6 months: 1.4632 9 months: 1.4588

LME AM Official £/$ spot rate 1.4792

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	377.00-377.50	
Opening	375.70-376.10	
Morning fix	374.25	253.150
Afternoon fix	376.75	255.164
Day's high	378.25-378.75	
Day's low	373.30-373.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.70	6 months	2.70
2 months	2.70	12 months	2.71
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	311.90	461.15
3 months	315.65	464.55
6 months	319.45	468.35
12 months	328.05	476.80

GOLD COINS

	$ price	£ equivalent
Krugerrand	376.00-378.00	255.00-258.00
Maple leaf	387.30-390.35	
New Sovereign	88.00-89.00	60.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1025	43	69	12	18
1050	28	53	22	27
1075	17	40	36	38
Copper (Grade A)	**Calls**		**Puts**	
1625	37	73	28	41
1650	26	60	42	52
1675	17	48	57	65
Coffee LCE	Jan	Mar	Jan	Mar
1150	156	146	6	41
1200	114	115	14	60
1250	79	86	29	84
Cocoa LCE	Mar	May	Mar	May
875	154	150	10	20
900	132	132	14	27
925	114	115	18	35
Brent Crude	Jan	Feb	Jan	Feb
1600	48		40	
1650	25		70	
1700	12	30		98

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	376.4	376.5		
Dec	376.7	377.5	378.5	376.2
Jan	377.7	378.2		
Feb	378.7	378.2	381.5	376.3
Apr	380.3	381.0	382.3	380.0
Jun	382.4	382.8	384.0	381.7
Aug	384.2	384.7		
Oct	386.1	386.5		
Dec	386.1	388.5	388.2	386.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	380.3	380.6	381.3	377.5
Apr	380.0	381.5	381.2	379.0
Jul	382.2	383.5	382.3	381.0
Oct	382.5	385.5	385.0	382.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	467.1	452.8		
Dec	468.0	452.8	470.5	461.0
Jan	469.0	453.5		
Mar	472.8	456.1	474.5	465.0
May	474.7	458.0	477.5	468.0
Jul	476.3	[illegible]	479.5	472.5
Sep	478.0	[illegible]		
Dec	480.3	[illegible]	482.5	476.0
Jan	481.1	[illegible]		
Mar	483.4	[illegible]		
May	491.5	482.2	490.0	482.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	73.30	73.15		
Dec	73.30	73.15	73.45	72.80
Jan	73.30	[illegible]		
Feb	73.45	[illegible]		
Mar	74.00	73.50	74.20	73.40
Apr	74.10	73.95		
May	74.35	74.20	74.25	
Jun	74.55	74.40		
Jul	74.75	74.60		
Aug	74.95	74.85		
Sep	75.10	74.95	75.30	74.60
Oct	75.30	75.10		

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	16.82	17.04	17.10	16.73
Jan	17.19	17.42	17.47	17.11
Feb	17.45	17.66	17.61	17.35
Mar	17.69	17.85	17.90	17.64
Apr	17.87	18.05	18.05	17.76
May	17.97	18.12	18.10	17.92
Jun	18.08	18.24	18.28	18.04
Jul	18.24	18.31	18.30	18.14
Aug	18.44	18.44		
Sep	18.55	18.56		

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1210	1221	1214	1203
Mar	1259	1266	1260	1237
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.05	74.85	78.20	75.50
Mar	81.05	76.15	81.15	77.25
May	80.25	76.65	80.50	[illegible]
Jul	80.05	76.55	[illegible]	[illegible]
Sep	81.75	[illegible]	[illegible]	[illegible]
Dec	87.45	[illegible]	[illegible]	[illegible]
Mar	90.50	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.44	10.18	10.51	10.13
May	10.71	10.44	10.75	10.40
Jul	10.80	10.65	10.89	10.51
Oct	10.88	10.86	10.84	10.53

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	59.35	58.40	59.30	58.70
Mar	60.80	60.15	61.20	60.40
May	61.52	61.30	62.00	61.50
Jul	62.79	62.34	63.10	62.50
Oct	62.90	62.75	63.40	62.85
Dec	63.25	62.75	63.15	62.80
Mar	64.00	63.67		
May	64.00	[illegible]		

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	104.45	109.80	109.95	104.30
Mar	107.25	112.25	112.00	107.25
May	108.90	116.90	[illegible]	[illegible]
Jul	110.60	115.40	[illegible]	[illegible]
Sep	112.15	116.80	[illegible]	[illegible]
Nov	110.15	114.60	[illegible]	[illegible]
Jan	109.00	[illegible]		
Mar	109.00	[illegible]		
May	109.00	[illegible]		

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 18	Nov 17	month ago	year ago
1621.9	1621.6	1584.0	1658.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 17	Nov 16	month ago	year ago
Spot	122.18	122.45	121.82	117.87
Futures	133.75	134.13	126.52	117.94

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	26.54	26.17	26.95	25.98
Jan	26.47	26.21	26.90	25.98
Mar	26.46	26.28	26.76	25.93
May	26.33	26.21	26.56	25.80
Jul	26.18	26.05	26.50	25.75
Aug	25.75	25.77	26.05	25.40
Sep	25.49	25.40	25.66	25.22
Oct	24.98	25.11	25.32	24.80
Dec	24.29	24.36	24.40	24.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	211.7	213.3	213.5	210.6
Jan	210.6	212.1	212.3	209.7
Mar	207.4	208.1	209.0	206.5
May	206.0	207.1	207.7	205.5
Jul	207.4	208.4	208.5	205.9
Aug	206.5	206.1	207.7	204.8
Sep	204.0	205.7	205.7	203.8
Oct	199.8	199.4	199.8	[illegible]
Dec	197.0	198.7	198.0	197.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	282/4	283/4	285/0	281/2
Mar	289/0	290/4	291/0	287/4
May	292/4	294/0	294/4	291/0
Jul	294/0	295/0	296/0	292/4
Sep	267/6	268/4	268/6	266/4
Dec	257/6	258/4	258/0	257/6
Mar	265/6	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	352/2	354/0	355/0	350/0
Mar	349/6	351/2	352/0	346/6
May	332/4	332/0	333/4	328/6
Jul	316/0	316/0	317/2	314/0
Sep	325/0	323/0	[illegible]	[illegible]
Dec	329/0	329/0	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.825	73.450	74.100	73.475
Feb	74.525	74.275	74.750	74.175
Apr	76.325	76.325	76.675	76.325
Jun	73.375	72.850	73.575	72.800
Aug	72.325	72.100	72.550	72.200
Oct	73.475	73.150	73.550	73.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	45.775	45.650	46.075	45.375
Feb	47.525	47.425	47.850	47.075
Apr	47.600	47.500	47.850	47.250
Jun	52.900	52.875	52.950	52.500
Jul	51.200	51.000	51.300	50.950
Aug	49.100	49.000	49.250	48.825
Oct	47.150	[illegible]	[illegible]	[illegible]
Dec	48.125	47.875	48.250	48.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	54.350	53.000	55.000	53.350
Mar	54.225	52.850	54.800	53.400
May	54.700	53.500	55.300	53.925
Jul	54.350	53.600	[illegible]	[illegible]
Aug	54.600	54.100	54.850	54.400

to need World Bank ... to proceed. In the Ukraine, unable and

and deputy ... Electricité de France, told the little ...

LONDON STOCK EXCHANGE

Early gains trimmed before the close

By Terry Byland, UK Stock Market Editor

THE STOCK market's base rate optimism survived the absence of a move by the Bundesbank yesterday, but the extra bonus which came from the success of the Nafta vote in the US congress soon melted away. An early gain of more than 18 points on the FT-SE 100 Index was lost when Wall Street opened lower, but the UK market turned higher again at the very end of the session.

Further consideration of the sharp fall in domestic inflation confirmed the market's view that a base rate cut at Budget time is now virtually certain, with analysts disagreeing only over whether Mr Kenneth Clarke, the UK chancellor of the exchequer, will risk a cut of more than one point.

Few London strategists had been predicting a rate cut from the Bundesbank yesterday so there was little significant response when the German central bank left rates unchanged.

The FT-SE Index closed 5.5 higher on the day at 3,125.5, having rallied after a burst of activity in the futures sector had pushed the Footsie briefly into negative territory.

Second line stocks extended this week's recovery, taking the FT-SE Mid 250 Index ahead by 15.8 to 3,452.5. Trading in second line issues made up around 58 per cent of the day's Seaq total which rose by 6.6 per cent as base rate hopes rekindled confidence.

Company results continued to provide an erratic guide for the stock market which will next week face trading statements from important members of the consumer industries which the market hopes will lead the UK out of recession. There was some recovery in BOC, which has been weak since announcing results.

Both Whitbread, the brewer, and Storehouse the retail group that includes the Mothercare chain, pleased the stock market with good profit figures and positive comments on the trading outlook. But Amstrad, the consumer electronics group, depressed the sector with a profits warning.

It was the turn of the store sector to catch up with the revival of interest rates optimism. Banking stocks, which had made their response in the previous session, made little further progress yesterday.

International stocks were mostly firmer, on relief that worries over the NAFTA vote had proved unfounded, although the response in London was tempered by Wall Street's downturn at the close of the previous session.

Concerns over the downgrading of the Hong Kong stock market by a leading US investment bank also proved overdone. Figures from Cable & Wireless were taken calmly and HSBC held steady.

A steady trend in fixed interest and sterling currency markets underpinned the equity market's confidence that domestic interest rates can be cut at the end of the month. But market strategists pointed out that a full point cut may be already in the market and that the Budget is almost certain to bring less encouraging news for the stock market in the form of higher VAT taxes.

Some concern was expressed at the apparent petering out of retail sales in October when they rose by only 0.1 per cent. Nikko Europe commented that this looked like a "disappointing result for the beginning of the Christmas shopping season. Consumers are willing to buy but not on credit and only at the right price..."

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	25,000	58	+1½
Abbey National†	1,600	408	-4
Albert Fisher	164	63	-1
Allied-Lyons†	1,300	622	+11
Anglian Water†	124	518	+4
Argos	670	333	-2
Argyll Group†	10,000	277	+6
Arjo Wiggins†	565	227	
Assoc. Brit. Foods†	722	488	+1
Ass. Brit. Ports	1,500	485	+1
BAA†	1,700	983	-5
BAT Inds.†	2,300	501	-1½
BET	2,900	129	
BICC	738	389	-8
BOC†	1,600	612	+11
BP†	7,300	344	+½
BPB Inds.	3,900	295	+10
BT†	4,200	470	-½
BT (Pt Pd)	2,800	320	+½
BTR†	9,100	384	+½
Bank of Scotland†	617	191	+1
Barclays†	3,300	532	-3
Bass†	1,800	488	+3
Blue Circle†	3,600	312	+7
Booker	161	403	+5
Boots†	1,200	520	-5
Bowater†	2,300	437	
Brit. Aerospace†	1,400	423	-8
British Airways†	4,000	410	+3
British Gas†	11,000	325	-3½
British Land	1,200	430	+3
British Steel†	12,000	120¼	+½
Bunzl	688	182	
Burmah Castrol†	280	748	+6
Burton	8,200	66½	+½
Cable & Wire.†	5,600	471	-2
Cadbury Schweppes†	731	466	+1
Calor Group	232	306	+12
Caradon†	962	337	+6
Carlton Comms.†	2,300	785	+6
Coats Viyella†	1,500	265	+1
Comm. Union†	2,600	605	-1
Cookson	2,300	208	
Courtaulds†	2,300	430	-2
Dalgety	1,100	452	+4
De La Rue	235	790	+8
Dixons	4,400	270	-7
Eastern Elect.	402	587	+3
East Midland Elec.	672	558	+3
Eng China Clays	609	418	-4
Enterprise Oil†	1,000	481	-1
Eurotunnel Units	19	445	
FKI	2,500	187	+4½
Fisons	4,200	147	+5
Foreign & Col. I.T.	1,300	262	+1
Forte†	5,600	240	+1
Gen. Accident†	1,500	671	
General Elect.†	8,500	338	-1
Glaxo†	8,300	651	-7
Glynwed Int.	260	309	
Granada†	487	478	-4
Grand Met.†	3,000	402	-2
GUS†	1,100	572	+8
GRE†	694	205	-3
GKN	817	485	+3
Guinness†	3,000	451	+2
HSBC (75p shs)†	5,600	733	-1
Hammerson 'A'	1,000	373	+1
Hanson†	9,300	260½	+1½
Harrisons Crosfield	4,400	182	-1
Hays	1,500	248	+2
Hillsdown	6,300	161	+4
IMI	1,100	286	+4
ICI†	2,600	676	+1
Inchcape†	1,700	489	+6
Johnson Matthey	2,200	470	-3
Kingfisher†	1,700	679	+4
Kwik Save	521	577	
Ladbroke†	6,600	159	+3
Land Securities†	725	738	-4
Laporte	1,200	685	
Legal & General†	680	489	+6
Lloyds Abbey	636	428	-1
Lloyds Bank†	5,400	580	+10
LASMO	6,980	132	-2
London Elect.	309	593	+6
Lonrho	7,000	133½	+3
Lucas	9,400	177	
MEPC†	2,600	515	+6
MFI	3,200	138	+1
Manweb	474	646	+5
Marks & Spencer†	1,800	413½	+2½
Midlands Elect.	371	610	+1
Morrison (Wm.)	2,500	69	
NFC†	322	244	-1
NatWest Bank†	2,300	553	-4
National Power†	3,900	408	+3
Next	1,200	188	
North West Water†	477	532	+8
Northern Elect.	675	621	+7
Northern Foods†	1,100	229	+1
Norweb	184	642	+8
Pearson†	851	579	-3
P & O†	2,300	558	-7
Pilkington	2,200	151	+2
PowerGen†	5,600	472	+4½
Prudential†	3,800	336	-1
RMC†	124	845	+4
RTZ†	3,800	678	+20
Racal	6,500	198	-14
Rank Org.†	1,300	878	+3
Reckitt & Colman†	955	650	-1
Redland†	1,900	548	+8
Reed Intl.†	1,100	749	-4
Rentokil†	1,600	208	
Reuters†	877	1654	+10
Rolls Royce†	4,200	187	+½
Ryl Bk Scotland†	1,800	388	+1
Royal Insurance†	1,500	303	-3
Sainsbury†	5,100	386	+7
Schroders†	165	1210	
Scottish & New.†	1,600	475	+6
Scot. Hydro-Elec.	954	368	+4
Scottish Power†	1,400	407	+1½
Sears†	3,100	118	
Sedgwick	7,100	186	+3
Seeboard†	756	640	+7
Severn Trent Water†	428	503	+8
Shell Transport†	4,600	682½	+5½
Siebe†	801	542	-6
Slough Ests	1,800	260	+4
Smith (W H) A	665	464	+5
Smith & Nephew†	2,200	137½	
SmKl Beecham†	2,400	411	-1
SmKl Beecham Uts†	1,200	377	
Smiths Inds	1,000	495	+1
Southern Elect.†	430	611	+7
South Wales Elect.	413	667	+10
South West Water	305	582	+3
South West. Elect.	109	599	+7
Southern Water	266	564	+6
Standard Chartd†	642	1053	+16
Storehouse	11,000	200	+17
Sun Alliance†	1,600	371	-3
T&N	3,000	175	+2
TI Group†	1,300	365	
TSB†	2,500	219½	-1½
Tarmac	437	135	-1
Tate & Lyle	2,800	391	+13
Taylor Woodrow	95	120	+2
Tesco†	13,000	197	+1½
Thames Water†	2,100	521	
Thorn EMI†	477	990	-5
Tomkins†	3,600	234	-½
Trafalgar House	1,600	95½	-1
Unigate	633	397	+2
Unilever†	716	1121	+8
United Biscuits†	801	334	-3
Utd. Newspapers	513	471	
Vodafone†	1,300	536	-3
Warburg (SG)†	850	860	+10
Wellcome†	1,900	650	-16
Welsh Water	43	634	+4
Wessex Water	188	533	+1
Whitbread 'A'†	2,100	519	+19
Williams Hldgs.†	394	325	-1
Willis Corroon	4,000	229	+3
Wimpey	1,300	169	+2
Wolseley†	544	730	+11
Yorkshire Elec.	414	626	+4
Yorkshire Water	380	644	+5
Zeneca†	1,300	774	-13

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Nov 1	Nov 15	Nov 29
Option Declarations:		
Nov 11	Nov 25	Dec 9
Last Dealings:		
Nov 12	Nov 26	Dec 10
Account Day:		
Nov 22	Dec 6	Dec 20

*New time dealings may take place from two business days earlier.

Dixons under pressure

SUGGESTIONS that Dixons much vaunted deal to sell its loss-making US subsidiary Silo may have come unstuck knocked the shares, already under pressure following Amstrad's profits warning. Dixons firmly denied the US deal rumour to analysts and the shares rallied in late trading. They closed at 270p, after touching 268p, down 7 on the day. Turnover was an undemanding 3m.

The Silo deal, in which Dixons agreed to sell the group to Fretter, another US retailer, in return for equity has underpinned the revival in the share price since it was disclosed in September. Although analysts said the details are taking longer to finalise than expected, all were dismissive of the speculation. Dixons was also said to be trying to play down the importance of its connections with Amstrad, arguing that the amount of trade with the electrical components group was shrinking.

Amstrad shares have been among the market's best performers in the past couple of weeks as talk of imminent good trading news triggered exceptionally heavy buying interest in the traded options as well as the cash market. They dropped yesterday after the company shocked the market by issuing a profits warning only minutes before the annual meeting. The meeting was "noisy and angry; there were a lot of upset shareholders", said one analyst who attended the gathering.

Amstrad's statement warned that it was worried that sales and margins would not match last year's levels and that present City expectations of sales and profits for the current year were likely to be optimistic. The news devastated Amstrad's share price, which fell sharply from an early 54¼p to end 10¼ down at 43p. Turnover was a hefty 16m shares.

Gas flickers

Third-quarter results from British Gas, usually regarded by the market as price insensitive, came in worse than market expectations and triggered a bout of underperformance by the share price.

At the close of trading the stock price was 3½ cheaper at 325p, a fraction above the day's low point, after good turnover of 9.9m shares.

Dealers said the market was worried that a series of earnings forecast cuts could be under way and that the company might be forced into announcing very heavy job cuts if the government accepts the Monopolies and Mergers Commission recommendation to break up the group.

Nomura has long adopted one of the market's most bearish viewpoints on Gas. Mr Steve Turner, the broker's Gas analyst, said: "The figures were well below expectations despite a £40m boost from colder weather and the utilisation of £25m worth of provisions." He reduced his full year forecast from £950m to £925m.

RTZ scramble

The world's biggest mining group, RTZ, climbed 20 to 678p as one overseas buyer was said to have picked up a block of shares and left the market short of stock.

Dealers were scrambling for stock in the morning and the subsequent squeeze in the share price led to the inevitable rumours. First, there was talk that copper prices were poised to pick up, although this was discounted by analysts. Then there was some hope that a midday presentation to the Association of Mining Analysts would yield good news. However, the presentation is a regular feature and generally covers technical ground – yesterday ws no exception.

Whitbread wanted

Results from Whitbread were well received, the "A" shares forging ahead 19 to 519p in brisk turnover of 2.1m. The strong showing by the retail division prompted some big investors to hook into the stock as a recovery play, although some specialists were taking a more cautious view. Some expressed concern that the group's brewing business remained under a cloud and would restrict any growth potential from the retail side. However, this did not discourage the stock's supporters, who pointed out that the company is well placed for a consumer-led recovery. Forecasts for the full year were trimmed to a range of £232m to £240m.

Pharmaceutical group Wellcome fell on negative comments in a television programme which examined legal action Wellcome could face from families of children allegedly damaged more than 20 years ago by the whooping cough vaccine it manufactured. The stock fell 16 to 650p and others in the pharmaceuticals sector were dragged back in its wake. Glaxo lost 7 to 651p and Zeneca 13 to 774p.

News and electronic information group Reuters Holdings rose 10 to 1654p after gains in the US on Wednesday night.

Lloyds Bank was the pick of the banking sector, advancing 10 to 580p, with BZW said to have recommended the shares after the "yes" vote on Nafta in the US congress on Wednesday evening.

Dealers said the buy note reflected perceptions that the value of Lloyds' substantial Mexican debt could rise substantially as Mexico participated freely in the economic recovery in North America. Dealers also said that Lloyds had continued to benefit from its yield premium over other leading UK banks.

HSBC opened sharply higher as the Hong Kong market performed better than many London traders had expected after Morgan Stanley's big downgrade of its Hong Kong market rating. But the firmer trend was quickly eroded and HSBC shares, retreated from an initial 744p to close a net penny easier at 733p after another hefty turnover of 5.8m.

Standard Chartered also performed well, closing 16 up at 1053p.

A much better tone permeated a merchant banking area given a rough ride by the market since the splendid figures recently announced by Hambros and SG Warburg. Hambros edged up 2 to 360p and Warburg 10 to 860p.

Whitbread's results helped other big brewery and restaurant groups, with Allied Lyons up 11 to 572p and Scottish & Newcastle 6 to 475p.

Ladbroke rallied from its recent mauling, to add 3 at 159p. First Leisure remained dull slipping a penny to 235p, despite a strong buy note from Credit Lyonnais Laing. Airtours gained 13 to 446p on talk of good bookings for 1994.

Results from Storehouse, the fashion retailer, were better than expected which together with an upbeat statement helped the shares gain 17 to 200p. However, analysts expressed themselves as slightly disappointed at the unchanged dividend. Market forecasts for the full-year clustered around the £65m-mark.

There was another surge in the price of Lloyds Chemist, the shares climbing 13 to 308p, a rise of 40 in the past two weeks. Analysts have attributed the strength to the shares' underperformance and speculation that the Budget could reveal prescription charge increases. Profit-taking shaved 5 from Boots to 520p.

House broker Hoare Govett was said to be behind the rise in Tate and Lyle, which reoprts results next week. The shares put on 13 to 391p. Yield considerations lifted Booker, up 5 at 403p.

Among food retailers, Argyll Group's recovery continued, the shares adding 6 to 277p. Kwik Save remained under pressure ahead of results next week, although the shares recovered to close steady at 577p. J Sainsbury gained 7 to 386p.

In spite of an announcement that investors had shied away from an open offer from Aegis Group, Europe's biggest media-buying network, the shares held steady at 19p. An offer of 231m new ordinary shares at 20p per share was only 14 per cent taken up, while an offer for 68.2m new preference shares at 22p was seven per cent taken up.

Union Discount rose a penny to 170p in spite of news that Newton Investment Management had sold 2.3m shares, equivalent to a 12.3 per cent stake, in the company.

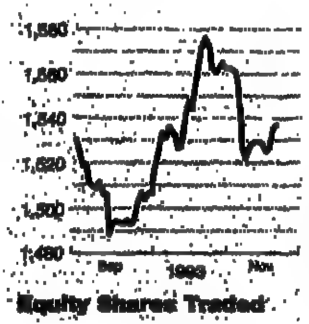
Ugland, the former Bristol Channel Ship Repairers, rose 8 to 108p on its market debut.

Racal Electronics came under renewed pressure after a sizeable agency cross and talk that one influential broking house had adopted a persistently bearish stance on the shares. Racal closed 14 lower at 198p after turnover of 6.5m shares.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

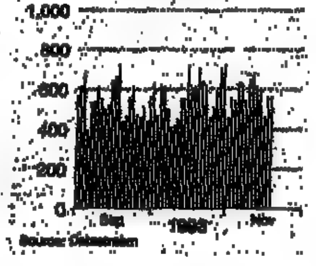
■ Other statistics, Page 25

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	Nov 18	Nov 17	Nov 16	Nov 15	Nov 12	Year ago	*High	*Low
Ordinary share	2371.4	2363.8	2347.9	2346.4	2343.7	2017.8	2414.2	2124.7
Ord. div. yield	3.93	3.93	3.96	3.96	3.96	4.58	4.52	3.82
Earning yld % full	4.57	4.60	4.63	4.62	4.62	6.40	6.38	4.47
P/E ratio net	27.38	27.23	27.04	27.11	27.13	19.81	28.30	19.40
P/E ratio nil	26.41	25.28	25.08	25.14	25.16	18.38	26.14	18.14
Gold Mines	245.8	242.5	246.9	243.2	248.6	64.1	248.8	60.8

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2368.0	2372.5	2373.9	2369.0	2368.3	2370.9	2368.1	2366.4	2369.2	2377.2	2366.1

Volume	Nov 18	Nov 17	Nov 16	Nov 15	Nov 12	Year ago
SEAQ Bargains	27,609	28,725	27,404	28,523	32,710	29,807
Equity Turnover(£m)†	-	1453.2	1322.4	1050.0	1300.2	1204.5
Equity Bargains†	-	31,559	31,353	32,026	37,880	28,193
Shares traded (mil)†	-	565.5	570.5	472.1	592.1	519.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (131).
BRITISH FUNDS (35) OTHER FIXED INTEREST (7) BANKS (5) ANZ, Anglo Irish, Barclays, BLDG MATLS (4) Blue Circle, Marley, Meyer, RMC, BUSINESS SERVS (1) Serco, CHEMS (1) Wolstenholme Rink, CONGLOMERATES (3) Hanson, Do 9½pc Cv., Sime Darby, ELECTRICALS (2) Electrolux, Hitachi, ELECTRICITY (1) PowerGen, ELECTRONICS (1) Druck, ENG AERO (1) Smiths, ENG GEN (2) FKI, Sterling Inds., HOTELS & LEIS (4) Bristol Scotts, Castle Comms., Rank Organ., Do 8¼pc Pf., INSCE BROKERS (1) Alex. & Alex. 11pc Db. '07, INV TRUSTS (24) MEDIA (4) Anglia TV, Pleasech, Southnews, VTR, MISC (3) Berlo, Black (P), MOTORS (2) General Mtrs., Jacks (Wm), OIL & GAS (4) Aminex, Calor, Norsk Hydro, Ptct. OTHER INDLS (1) Wilshaw, PACKG, PAPER & PRNTG (5) De La Rue, Jarvis Porter, Kymmene, PROP (6) Brit. Land 9¼pc Pf., Daejan, Gt. Portland 9½pc '02, Lon. Merchant, Mucklow (J), Warner Est., STORES (4) Centora, GUS, Marks & Spencer, Sears, TRANSPORT (3) Brit. Airways, Do Cap. 9¾pc Cv., Norish, WATER (3) Cheam A, Do B, York Waterworks, SOUTH AFRICANS (3) OK Bazaars, SA Brews., MINES (7) Anglo Amer., Anglovaal, Bakyrchik, Gencor, Loraine, Western Deep, Winkelhaak.
NEW LOWS (25).
BUSINESS SERVS (1) Profblock, CHEMS (3) Caird, Do 7p Pf. '09, Chemex, CONGLOMERATES (1) Porter Chadburn, ELECTRONICS (1) Ferranti, ENG AERO (1) FR, ENG GEN (3) Babcock, Barry Wehmiller, Weir, FOOD MANUF (1) Berisford, FOOD RETAILING (3) Iceland, Merchant Retail, HOTELS & LEIS (1) First Leis., INV TRUSTS (1) EFM Smlr. Co's Wts., MEDIA (1) Stenhoim 6.4pc Pf., MTL & MTL FORMING (2) Apollo Metals, Triplex Lloyd, MISC (1) Shanks & McEwan, OTHER FINCL (1) Trio, PACKG, PAPER & PRNTG (1) Field, STORES (1) Hughes (T.J), TRANSPORT (1) Tiphook.

FT-SE Actuaries Share Indices THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3125.5 +5.5	3452.5 +15.8	1539.37 +3.32

	Nov 18	Day's change %	Nov 17	Nov 16	Nov 15	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3125.5	+0.2	3120.0	3097.5	3093.3	2700.2	3.80	5.60	22.16	87.79	1140.46
FT-SE Mid 250	3452.5	+0.5	3436.7	3421.0	3416.5	2618.9	3.53	5.72	21.26	88.18	1248.37
FT-SE Mid 250 ex Inv Trusts	3447.9	+0.5	3432.0	3416.3	3412.9	2623.6	3.65	6.15	19.94	90.40	1242.44
FT-SE-A 350	1555.7	+0.2	1552.0	1541.7	1539.6	1329.6	3.74	5.63	21.98	42.81	1162.79
FT-SE SmallCap	1757.29	-0.1	1759.68	1760.01	1762.01	-	3.13	3.87	35.50	39.85	1329.05
FT-SE SmallCap ex Inv Trusts	1735.34	-0.2	1739.53	1740.61	1744.54	-	3.34	4.30	32.91	41.92	1314.39
FT-A ALL-SHARE	1539.37	+0.2	1536.05	1526.54	1524.77	1284.33	3.70	5.52	22.49	41.91	1171.03
1 CAPITAL GOODS(215)	1066.21	+0.6	1059.66	1055.40	1054.79	773.91	3.85	3.93	33.31	30.85	1265.73
2 Building Materials(28)	1224.31	+1.2	1209.50	1196.90	1195.30	786.43	3.74	2.82	51.67	32.11	1438.95
3 Contracting, Construction(29)	1023.53	+0.6	1017.13	1013.20	1014.49	667.05	3.10	1.22	80.00†	24.23	1430.35
4 Electricals(15)	2902.08	-0.8	2924.12	2957.55	2929.20	2158.71	4.67	3.66	33.60	105.80	1188.53
5 Electronics(39)	2818.44	-0.9	2842.69	2839.61	2836.30	2162.29	3.11	5.90	20.73	68.48	1237.01
6 Engineering-Aerospace(7)	467.54	-0.4	469.43	468.63	458.82	250.29	3.09	‡	‡	12.12	1640.32
7 Engineering-General(49)	619.18	-0.3	620.32	624.33	622.00	447.63	3.51	5.51	22.13	15.80	1248.76
8 Metals & Metal Forming(9)	466.98	—	467.20	463.73	470.33	277.79	2.60	‡	‡	7.90	1480.67
9 Motors(20)	460.23	+0.5	458.03	458.29	457.30	326.60	4.87	3.99	34.84	19.41	1294.24
10 Other Industrials(19)	2104.07	+2.0	2062.55	2045.22	2054.07	1763.67	4.71	5.92	19.95	71.85	1098.18
21 CONSUMER GROUP(240)	1682.22	+0.2	[illegible]	1671.81	1661.64	1669.65	3.52	6.66	18.17	43.43	992.76
22 Brewers and Distillers(29)	1869.93	+0.6	1858.21	1838.39	1819.46	1977.98	3.99	8.22	14.70	46.55	918.44
25 Food Manufacturing(24)	1337.70	+0.6	1329.50	1320.71	1323.07	1252.87	3.88	7.15	16.54	34.79	1038.66
26 Food Retailing(17)	2424.29	+1.3	2392.04	2326.98	2325.33	2951.58	3.92	10.72	11.59	[illegible]	763.63
27 Health & Household(31)	3572.24	-0.8	3602.38	3565.75	3526.79	4359.63	3.82	[illegible]	[illegible]	103.65	867.29
29 Hotels and Leisure(20)	1409.78	+0.2	1406.64	1386.79	1385.00	1150.29	4.17	5.83	21.48	53.06	1146.02
30 Media(34)	2204.59	+0.1	2201.89	2194.27	2194.74	1669.41	2.35	4.63	26.12	38.30	1232.70
31 Packaging and Paper(26)	888.94	+0.2	887.41	879.30	871.35	736.75	3.41	5.22	23.14	[illegible]	1170.38
34 Stores(35)	1328.57	+0.6	1320.92	1313.85	1301.23	1072.01	2.78	5.33	23.64	29.05	1174.37
35 Textiles(20)	847.09	+0.2	845.70	842.89	846.08	707.54	3.68	5.46	23.05	22.30	1166.22
40 OTHER GROUPS(143)	1676.92	+0.1	1674.71	1669.22	1669.30	1379.70	3.92	8.83	17.61	44.97	1204.08
41 Business Services(27)	1624.42	+0.1	1623.17	1629.87	1615.04	1410.18	2.77	7.33	15.50	32.82	1090.89
42 Chemicals(24)	1480.00	+0.3	1475.79	1433.73	1517.75	1335.23	4.39	0.40	‡	47.98	1074.86
43 Conglomerates(11)	1631.80	+0.4	1625.28	1607.14	1607.33	1318.08	4.71	[illegible]	17.66	48.66	1021.30
44 Transport(16)	3267.68	-0.3	3276.78	3238.12	3204.65	2523.90	3.61	4.12	27.44	69.51	1221.42
45 Electricity(17)	2162.35	+0.7	2146.56	2121.67	2113.48	1569.04	3.69	10.85	11.42	67.64	1436.58
46 Telephone Networks(4)	2050.55	-0.2	2055.24	2064.93	2049.81	1617.85	3.40	6.09	20.13	34.68	1242.54
47 Water(13)	3632.60	+0.8	3603.55	3562.00	3568.19	3337.40	4.92	11.51	9.28	116.66	1159.96
48 Miscellaneous(31)	2534.23	-0.3	2542.91	2540.12	2594.12	2363.48	4.61	7.10	16.90	83.56	1063.26
49 INDUSTRIAL GROUP(597)	1543.08	+0.3	1538.89	1529.01	1524.66	1352.62	3.73	6.16	19.79	41.15	1189.50
51 Oil & Gas(17)	2754.71	+0.2	2750.42	2720.65	2751.25	2137.78	4.09	6.60	21.56	89.73	1278.76
59 "500" SHARE INDEX(615)	1648.22	+0.3	1643.96	1632.59	1630.52	1426.04	3.77	6.12	19.98	[illegible]	1128.48
61 FINANCIAL GROUP(91)	1193.55	—	1193.96	1190.28	1190.02	859.82	3.63	3.22	46.67	34.09	1415.46
62 Banks(9)	1670.23	-0.2	1672.79	1673.46	1674.37	1166.09	3.22	3.75	36.65	[illegible]	1451.68
65 Insurance (Life)(6)	2058.02	+0.2	2054.31	2040.77	2033.64	1672.54	4.47	4.66	27.00	73.50	1210.29
66 Insurance (Composite)(7)	702.44	-0.5	705.77	697.21	701.88	615.04	4.80	‡	‡	28.54	1168.38
67 Insurance Brokers(10)	873.27	+0.6	868.28	864.90	861.75	700.59	4.49	4.78	30.60	27.02	1167.99
68 Merchant Banks(6)	816.04	+0.5	811.96	811.80	810.51	461.71	2.09	7.13	17.22	16.79	1673.72
69 Property(30)	1097.94	+0.3	1094.33	1085.19	1076.58	816.03	3.71	3.67	36.79	24.95	1768.99
70 Other Financial(23)	440.44	+0.1	439.96	438.44	440.07	263.88	3.62	6.31	24.67	11.17	1604.74
71 Investment Trusts(111)	1743.96	+0.4	1736.66	1730.38	1724.88	1351.21	2.36	1.89	52.88	[illegible]	1334.82
99 FT-A ALL-SHARE(817)	1539.37	+0.2	1536.05	1526.54	1524.77	1284.33	3.70	5.52	22.49	41.91	1171.03

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3130.6	3136.1	3134.5	3131.4	3128.6	3131.1	3124.7	3120.1	3125.9	3136.3	3119.5
FT-SE Mid 250	3441.6	3448.5	3446.5	3449.2	3449.8	3450.3	3450.6	3450.1	3451.4	3452.5	3441.4
FT-SE-A 350	1556.5	1558.8	1558.8	1557.6	1556.6	1557.6	1555.2	1553.3	1555.6	1560.2	1553.1

Time of FT-SE 100 high: 9.35 am low: 3.04 pm

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1938.8	1940.6	1946.3	1948.0	1948.0	1946.0	1948.5	1940.5	1949.6	1952.0	1935.8	+16.2
Health&H	1086.0	1084.3	1079.5	1077.8	1078.6	1078.7	1076.8	1073.4	1079.2	1078.3	1087.7	-9.4
Water	1489.1	1498.7	1497.2	1499.0	1500.1	1499.7	1498.7	1499.3	1499.5	1499.4	1487.2	+12.2
Banks	2044.7	2046.1	2042.7	2043.0	2042.0	2039.5	2029.4	2025.9	2028.4	2030.1	2033.2	-3.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 8½pc 1994	[illegible]	[illegible]	[illegible]	100⅝	8.46	5.32
14½pc 1994	[illegible]	[illegible]	[illegible]	102⅜	14.14	5.25
Exch 13½pc 1994	[illegible]	[illegible]	[illegible]	103½	13.04	5.21
Treas 10pc 1994	[illegible]	[illegible]	[illegible]	102⅛	9.76	5.23
Exch 12½pc 1994	[illegible]	[illegible]	[illegible]	105⅛	11.87	5.26
Treas 9pc 1994	[illegible]	[illegible]	[illegible]	103½	8.89	5.21
12pc 1995	[illegible]	[illegible]	[illegible]	107⅞	11.16	5.24
Exch 3pc Gas 90-95	[illegible]	[illegible]	[illegible]	94	3.08	4.81
10¼pc 1995	[illegible]	[illegible]	[illegible]	107⅜	9.82	5.34
Treas 12¾pc 1995	[illegible]	[illegible]	[illegible]	113½	11.22	5.42
14pc 1996	[illegible]	[illegible]	[illegible]	117⅛	11.80	5.51
15¼pc 1996	[illegible]	[illegible]	[illegible]	121⅝	12.81	5.80
Exch 13¼pc 1996	[illegible]	[illegible]	[illegible]	115¾	11.27	5.80
Conversion 10pc 1996	[illegible]	[illegible]	[illegible]	106⅞	8.90	5.73
Treas 13¼pc 1997	[illegible]	[illegible]	[illegible]	118½	10.96	5.88
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	110⅜	9.28	5.90
Treas 8¾pc 1997	[illegible]	[illegible]	[illegible]	105½	8.00	5.94
Exch 15pc 1997	[illegible]	[illegible]	[illegible]	127⅞	11.48	6.10
9¾pc 1998	[illegible]	[illegible]	[illegible]	108⅛	8.63	6.16
Treas 7¼pc 1998	[illegible]	[illegible]	[illegible]	99¾	6.63	6.03
7¼pc 1998	[illegible]	[illegible]	[illegible]	101⅞	6.93	6.04
Treas 6¾pc 1995-98	[illegible]	[illegible]	[illegible]	97⅞	6.84	6.45
14pc '98-1	[illegible]	[illegible]	[illegible]	125⅛	10.81	6.30
Five to Fifteen Years						
Treas 15½pc 1998	[illegible]	[illegible]	[illegible]	133⅞	11.20	6.24
Exch 12pc 1998	[illegible]	[illegible]	[illegible]	118⅞	9.70	6.38
Treas 9½pc 1999	[illegible]	[illegible]	[illegible]	108⅜	8.38	6.34
Exch 12¼pc 1999	125⅜	[illegible]	128⅛	120⅛	9.73	6.46
Treas 10½pc 1999	118⅜	[illegible]	119⅛	112⅛	8.83	6.37
Treas 6pc 1999 (£50pd)‡‡	49⅛	[illegible]	49⅛	48⅛	6.08	6.21
Conversion 10¼pc 1999	118¼xd	[illegible]	119⅛	112⅛	8.83	6.45
9pc 2000‡‡	113⅛	[illegible]	113⅛	106	7.94	6.40
Treas 13pc 2000	133⅛	[illegible]	133⅞	125½	9.73	6.68
10pc 2001	118⅛	[illegible]	119⅛	109⅛	8.41	6.67
7pc '01 ‡‡	102⅛	[illegible]	103⅛	97⅛	6.89	6.54
9¾pc 2002	119⅛	[illegible]	119⅛	108⅞	8.15	6.77
8pc 2003‡‡	109⅝xd	[illegible]	109⅛	97⅛	7.32	6.87
10pc 2003	122⅛	[illegible]	122⅞	109⅝	8.15	6.79

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
Treas 11½pc 2001-4	126⅝	+⅛	128⅝	116⅞	9.11	6.89
Funding 3½pc '99-4	81⅝	+⅛	81⅞	67⅞	4.31	5.91
Conversion 9½pc 2004	120⅛	+⅛	120⅜	105⅞	7.90	6.84
Treas 6¾pc 2004	100⅛	+⅛	100⅜	87⅛	6.73	6.71
Conv 9½pc 2005	120⅛	+⅛	120⅞	105⅞	7.88	6.88
Treas 12½pc 2003-5	139⅞xd	+⅛	139⅞	124⅛	9.02	7.06
7¾pc 2006‡‡	107⅛	+⅛	107⅛	94⅞	7.24	6.90
8pc 2002-6‡‡	107⅞	+⅛	107⅞	94⅛	7.43	6.86
Treas 11¾pc 2003-7	131⅞	+⅛	131⅞	118⅞	8.94	7.04
Treas 8½pc 2007‡‡	113⅛	+⅛	113⅞	97⅛	7.51	6.98
8½pc 2007 C‡‡	113⅛	+⅛	113⅛	109⅛	7.51	6.98
13½pc '04-8	148⅛	+⅛	149⅞	131⅛	9.21	7.08
Over Fifteen Years						
Treas 9pc 2008‡‡	118⅛	+⅛	118⅛	101⅛	7.60	7.02
8pc 2009	109	-⅛	109⅛	92⅛	7.34	7.04
Conv 9pc Ln 2011‡‡	119⅞	+⅛	119⅝	100½	7.54	7.08
9pc 2011 D‡‡	119⅝	+⅛	119⅞	116⅞	7.54	7.07
Treas 9pc 2012‡‡	120	—	120⅛	100⅛	7.50	7.06
Treas 5½pc 2008-12‡‡	89⅝	+¼	89⅝	70⅝	6.24	6.65
Treas 8pc 2013‡‡	110⅛	-⅛	110½	93⅞	7.26	7.04
7¾pc 2012-15‡‡	107⅞	+⅛	108⅛	89⅝	7.18	6.98
Treas 8¾pc 2017‡‡	119⅞	—	119⅞	97⅛	7.32	7.05
Exch 12pc '13-'17	160⅛xd	-⅛	160⅛	129⅞	7.49	7.23
Undated						
Consols 4pc	54⅝	-⅛	55⅛	43⅝	7.31	-
War Loan 3½pc‡‡	48⅛xd	+⅛	48⅝	38⅝	7.23	-
Conv 3½pc '61 Aft	67⅛	+1⅛	67⅛	60⅝	5.19	-
Treas 3pc '66 Aft	41⅛	+1⅛	41⅛	33½	7.26	-
Consols 2½pc	38	+⅛	38	28⅝	6.64	-
Treas. 2½pc	34⅛	+⅛	34⅛	27⅞	7.21	-

BRITISH FUNDS - Cont.

Index-Linked (b)	Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	138⅞	+⅛	138⅞	131⅛	-	-
2pc '96	(67.9)	203⅛	-⅛	203⅛	184⅞	0.87	1.95
4⅝pc '98‡‡	(135.6)	112⅛	-⅛	112⅞	106⅛	1.39	2.05
2½pc '01	(78.3)	172⅛	-⅛	172⅛	159	2.38	2.73
2½pc '03	(78.8)	169⅛xd	-⅛	169⅞	155	2.58	2.88
4⅛pc '04‡‡	(135.6)	118⅛	-⅛	118⅞	105½	2.60	2.81
2pc '06	(69.5)	179⅝	-⅛	180⅛	159⅛	2.66	2.88
2½pc '09	(78.8)	163⅞xd	-⅛	164⅛	144	2.81	3.03
2½pc '11	(74.6)	170⅛	-⅛	170⅞	148⅛	2.87	3.07
2½pc '13	(89.2)	141⅛	-⅛	141⅛	122⅛	2.91	3.09
2½pc '16	(81.6)	161⅛	-⅛	161⅛	139⅛	2.97	3.14
2½pc '20	(83.0)	146⅛	-⅛	147	124⅞	3.02	3.17
2½pc '24‡‡	(97.7)	122⅛	-⅛	122⅛	102⅞	3.03	3.16
4⅛pc '30‡‡	(135.1)	122⅛	-½	123⅛	103⅛	3.08	3.18

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1993: 139.3 and for October 1993: 141.8.

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
African Dev 11¼pc 2010	135⅛	+⅛	135⅛	115⅞	8.22	7.36
Asian Dev 10¼pc 2009	126⅛	+⅛	126⅞	108⅛	8.07	7.30
B'ham 11½pc 2012	132½	+2½	132½	114	8.68	8.12
Ireland Cap 8½pc '10	108⅞	—	120	95	7.81	-
9pc Cap 1996	107⅝	—	116	97½	8.36	-
13pc '97-2	133⅞	—	130	110	11.42	-
Hydro Quebec 15pc 2011	161⅞	-⅛	162⅛	138⅛	9.28	8.27
Leeds 13½pc 2006	143⅛	+1⅛	143⅛	128	9.42	8.18
Liverpool 3½pc Irred	42	+½	42	34	8.33	-
LCC 3pc '20 Aft	37⅛	+¼	38	30½	7.95	-
Manchester 11½pc 2007	130⅛	+3⅛	130⅛	114	8.80	7.88
Met. Wtr. 3pc 'B'	73⅛	+1	74	68⅛	4.07	6.60
N'wide Anglia 3⅞pc 2021	144	+1	144	117½	-	3.65
4⅛pc IL 2024	138⅛	+1	138⅛	115½	-	3.65
Utd Mex States 16½pc 2008	183	+3½	183	132⅛	10.76	-

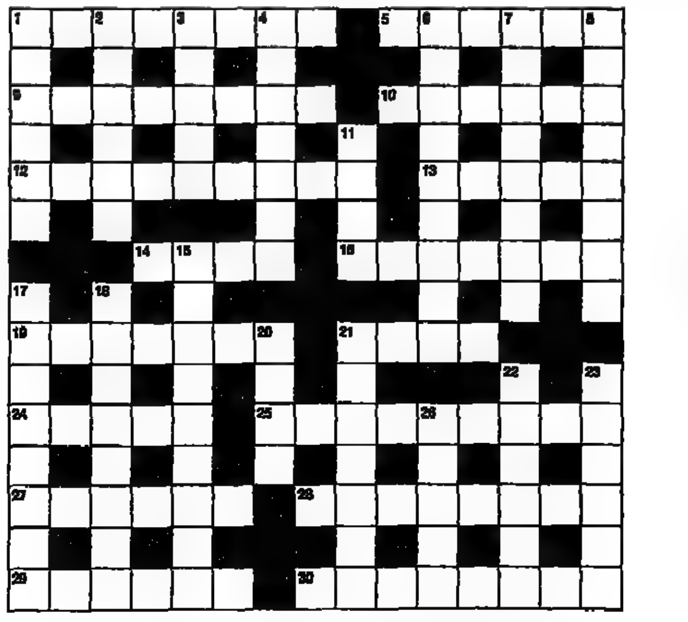
Continued on next page

CROSSWORD

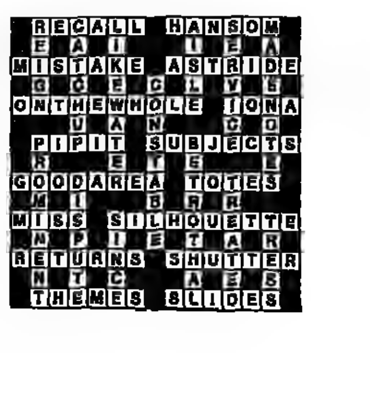
No.8,310 Set by VIXEN

ACROSS
1 Country folk supplying vegetables to the workers (8)
5 Settled round about as couples (6)
9 Consider alcoholic liquor in tea cranky (8)
10 Note a number cut and run (6)
12 An article about right and wrong that's sensational (9)
13 Teach how to serve trout properly (5)
14 Game which is strictly for men only (4)
16 Regards foreign money as a bad thing (7)
19 A donation coppers dislike making (7)
21 A gambling device – a little one requiring a key (4)
24 The revolting individual put to flight (5)
25 Favouring with a smile in order to get officially recognised (9)
27 The endless hustle gives rise to childish complaint (6)
28 Spend a long time finding ways to get through (8)
29 Vicious person the German turned on first (6)
30 Break for terse nurse (8)

DOWN
1 Set about one on equal terms (6)
2 Much like soldiers succeeding amid chaos (6)
3 A woman over fifty can make the entry of the year (5)
4 Identifying a bird on the heath (7)
6 Flat broke tramp with neat appearance (9)
7 Bond story (8)
8 When beasts grab some, off he goes (8)
11 A monster held in no great esteem (4)
15 A man getting increases in pay speculates (9)
17 Works gaining nothing by a set-up (8)
18 Certainly in drink, as confirmed by the breathalyser (8)
20 Dispute backing it – very loudly (4)
21 Storm and split with a party (7)
22 The Australian gardener? (6)
23 A tree's in need of shaping, and that can be a problem (6)
26 The advantage of being equally hard (5)



Solution 8,309



JOTTER PAD

A Pelikan New Classic 390 fountain pen and five Pelikan vouchers are the prizes in the FT's new Monday prize crossword, starting next week. The Saturday puzzle will continue to offer Pelikan pens and vouchers as prizes

EQUITY FUTURES AND OPTIONS TRADING

EARLY fireworks in London derivatives turned out to be no more than a few damp squibs as the futures contract on the FT-SE 100 faded away ahead of Footsie options expiry today, *writes Peter John.*

The Footsie future for December opened at 3,138, some 10 points above Wednesday's official close. Following economic data which suggested that employment prospects were recovering but wage growth was remaining low – the dream ticket of recovery without inflation – the contract shot forward to 3,153. At that level it was some 15 points above the day's high point in the underlying cash market. That compares to a fair value premium to cash of only 6 points and consequently presented an opportunity to arbitrage by selling the highly priced futures market and buying the comparatively cheap cash market.

As a result, the futures fell back to 3,133.5 by the official close when more than 11,600 contracts were traded. It continued to trickle off in after hours trading.

Options dealings were overshadowed by the expiry of the November series on the Footsie today although there was a large trade in the European-style Footsie options with one house buying 1,250 puts expiring in June at a strike price of 3,125. Total options turnover was 36,750 lots, slightly down from 38,900 on Wednesday. The most active stock option was BT with 2,496 lots dealt.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		19½	–⅛	20⅛	15⅝	16,372	2.3
Allegheny & W	♥	457p	–16	722p	388p	281.8	4.4
Amdahl		338p	—	591p	294p	379.6	1.0
Amer Cyanamid		38⅞	+⅛	39	31¼	3,223	3.2
Amer Express		21⅛	–⅛	25⅞	14⅞	10,138	3.2
Amer T & T		38⅞xd	—	43¼	33⅛	61,797	2.3
Ameritech		53⅞	–1⅛	58⅝	46	23,280	4.7
Anheuser-Busch		33½xd	–⅛	41⅛	29⅝	9,270	2.9
BankAmerica		29⅛xd	–⅛	38⅛	27⅛	10,043	3.3
Bankers NY		51⅛	–¼	64⅝	42⅝	4,220	4.1
Bell Atlantic		40⅞	–⅝	44⅛	32¼	17,769	4.4
BellSouth		37⅞	–⅝	42⅝	32⅞	18,453	5.0
Bethlehem Steel	♥	11⅛	—	13⅛	8½	1,083	–
Bowater		1354p	–18	1682p	1189p	490.6	3.0
CPC		32⅝	–⅛	34⅝	30	4,613	2.7
California Engy		1190p	—	1479p	1089p	218.8	–
Chase Manhattan		21⅛	–⅛	24⅞	17⅞	3,365	3.7
Chrysler		37⅛	–⅛	39	21¼	10,983	1.1
Citicorp		23⅛	–⅛	26	13⅛	8,681	–
Colgate-Palm		39⅛	+⅛	45⅝	32	6,236	2.4
Cont'l Bank		1617p	–30	1877p	1278p	1,634	2.5
Dana		38¼	–⅛	39⅛	29⅛	1,756	2.8
Data General		680p	–16	951p	527p	182.1	–
Decora Inds	♥	100p	—	148p	98p	–	–
Dun & Brad		44⅝	–⅛	45⅝	37⅛	7,867	3.7
Eaton		35	+⅛	37⅛	35⅛	2,435	2.3
Echlin		22⅛	+⅛	22⅞	15⅛	1,289	2.1
FPL		25⅛	–⅛	27⅞	23¼	4,621	6.5
Ford Motor		41⅞	–⅛	43⅛	28⅛	20,601	2.5
Gen Elect		65⅛	+⅛	67⅛	53⅞	55,666	2.6
General Host	♥	488p	+1	723p	456p	–	4.9
Gillette		42⅛xd	–⅛	42⅝	31⅛	9,326	1.3
Hasbro		29⅞	—	29⅞	20⅞	1,819	0.8
Honeywell		21⅛	–⅛	28½	20⅛	4,419	3.0
Houston Inds		31¼	—	33⅝	28¼	4,112	6.3
Ingersoll-Rand		25⅞xd	+⅛	25⅞	19⅝	2,718	1.8
Lockheed		47⅛	–⅛	47⅞	35⅛	2,930	3.0
Lowe's		3528p	—	3528p	1573p	2,572	0.6
Malvy Technology		334p	–13	432p	127p	–	–
Merrill Lynch		61½	–⅛	66⅝	37	9,893	1.7
Morgan (JP)		47½xd	–¼	52⅛	38¼	9,101	3.4
Morris (Philip)		37⅞	–⅛	62⅞	28	33,191	4.6
NYNEX	h	28½	–⅛	32⅛	28⅛	5,886	5.5
Pall		14	+⅛	15	10⅞	1,624	1.5
Pennzoil		38⅞	+⅛	47⅛	31⅛	1,781	5.1
Quaker Oats		48½	–⅛	50⅛	39⅛	3,497	2.9
Questav		268p	—	687p	49½p	25.3	–
Rockwell		22⅛xd	–⅛	24⅛	18⅛	4,848	3.0
Rep NY		32⅛	–⅛	37⅛	29⅛	1,697	2.2
Sears, Roebuck		38⅛	–⅛	39⅛	18⅛	10,083	2.7
Sthwestern Bell	h	28⅞	+⅛	30½	23⅛	17,128	3.5
Sun Co		20⅞	+⅛	21⅞	14⅞	2,218	5.7
Tenneco		34¼	–⅛	38¼	25½	6,780	3.1
Texaco		45⅛xd	+1⅛	46⅛	37⅛	11,892	4.7
Time Warner		30⅛	+½	30⅞	18⅞	11,927	0.7
Unilab	♥	394p	—	509p	358p	179.4	–
US West		31⅞	–⅛	36	24⅞	13,003	4.5
Varity		2607p	–31	2638p	1686p	788.3	–
WMX Technologies		16⅝	+⅛	27⅛	15⅞	8,129	2.4
Whirlpool		4164p	+13	4577p	2824p	2,910	2.0
Woolworth	♥	16⅞	+⅛	21½	14	2,003	5.1

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

to need World Bank ... to proceed.
In the Ukraine, unable and ... and deputy general ... Electricité de France, told the little control ...

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited. For a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◊ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of Suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- $ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT2732. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Lautro Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

to need World Bank ... to proceed.
In the Ukraine, unable and

and deputy general ... Electricité de France, told the little country ...

FT MANAGED FUNDS SERVICE

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INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041-307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Income Distribution	110.8	116.7	+0.70	-
JRA/M&G Managed	137.3	144.6	+0.30	-
JRA/Scottish Amicable Mngd	129.2	136.0	+0.60	-
JRA/St James's Place Mngd	149.6	157.6	+0.30	-
Deposit	102.6	108.1		-
Far East	161.0	169.5	+0.40	-
Gilts	124.8	131.3	+0.80	-
Greater European	134.1	141.2	+0.80	-
North American	149.0	156.9	-0.40	-
UK Equity	129.2	136.0	+0.50	-
Pension Funds				
JRA/M&G Managed cap	136.8	144.1	+0.70	-
JRA/M&G Managed acc	145.5	153.2	+0.80	-
JRA/Scottish Amicable Mngd cap	127.9	134.7	+0.80	-
JRA/Scottish Amicable Mngd acc	136.0	143.2	+0.70	-
JRA/St James's Pl Mngd cap	163.4	172.0	+0.30	-
JRA/St James's Pl Mngd Acc	173.6	182.8	+0.30	-
Deposit cap	101.8	107.2		-
Deposit acc	108.2	113.9		-
Far East cap	161.6	170.2	+0.50	-
Far East acc	171.8	180.9	+0.50	-
Gilts cap	120.1	126.7	+0.70	-
Gilts acc	127.9	134.7	+0.80	-
Greater European cap	136.1	143.3	+1.10	-
Greater European acc	144.8	152.3	+1.20	-
North American cap	149.8	157.7	-0.90	-
North American acc	158.2	167.8	-1.00	-
UK Equity cap	128.5	135.3	+0.60	-
UK Equity acc	136.6	143.8	+0.60	-

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Gwth	736.0			-
Multi Gwth A Cap	462.8	487.1		-
Multi Gwth A Accum	735.1	773.8		-
Op Prop	446.8	470.4	+16.2	-
Op Equity	859.1	904.4	-1.7	-
Op High Yld	592.8	624.2	+3.7	-
Op Man	757.4	797.3	+1.2	-
Op Dep	380.3	400.4		-
Op Inc Dist	229.6	241.7	+0.9	6.180
Op Int Man	457.8	481.7	+0.9	-
Op Emerging Co's	436.2	459.2	-0.4	-
Op Money	106.0	111.6		-
European	125.2	131.8	+0.7	-
Pension Funds				
Property Ser B	829.4	873.1	+8.4	-
Equity Ser B	2803.1	2950.7	-13.5	-

Scottish Provident Group

6 St Andrew Sq, Edinburgh 031-556 2652

Scottish Provident Institution Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
With-Profits	106.7	112.4		-
Managed	258.4	272.1	+0.3	-
Blue Chip	140.6	148.1	+0.5	-
Equity	270.5	284.8	+0.5	-
International	281.7	296.6	+0.3	-
Property	201.3	212.0	+0.1	-
Fixed Interest	222.8	234.7	-0.1	-
Index-linked	188.3	198.2	+0.6	-
Cash	181.7	191.3		-
Money Market	119.5	125.8		-
Americas Performance	181.2	190.8	-1.6	-
Europe Performance	121.7	128.2	+0.7	-
Far East Performance	128.9	135.7	+0.2	-
Worldwide Performance	143.5	151.2	-0.3	-
Pension Funds				
With-Profits Ord	200.3	210.9		-
Managed Ord	320.6	336.9	+0.6	-
Blue Chip Ord	148.1	156.0	+0.7	-
Equity Ord	335.6	353.4	+0.8	-
International Ord	346.4	364.7	+0.3	-
Property Ord	274.9	289.4		-
Fixed Interest Ord	304.7	320.8	-0.2	-
Index-linked Ord	204.1	215.0	+1.0	-
Cash Ord	252.7	266.1		-
Building Society Ord	191.4	201.6	+0.1	-
Americas Performance Ord	203.1	213.9	-1.4	-
Europe Performance Ord	117.0	123.3	+1.0	-
Far East Performance Ord	145.2	152.9	+0.3	-
Worldwide Performance Ord	159.0	167.5	-0.4	-

Scottish Provident Assurance Ltd Funds (Formerly Prolific Life & Pensions Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Adventurous Mngd	194.7	207.2	+0.1	-
Balanced Gwth Mngd	770.6	819.8	+1.3	-
Cautious Mngd	142.8	152.0	+0.2	-
Fixed Interest	457.5	482.1	+1.8	-
Gilt Fund 20	479.8	510.5	+0.8	-
Equity	921.8	980.5	+0.8	-
International	415.7	442.3	+0.2	-
Property	227.2	241.8		-
Cash	327.8	345.3		-
Special Situations	615.4	654.7	+0.5	-
High Income	676.8	720.0	+2.1	-
Extra Income	365.3	388.7	+1.1	-
Convertible & Gilt	177.8	189.2	-0.2	-
Pref & Fixed Interest	125.4	133.5	-0.1	-
Recovery	140.2	147.8		-
UK Blue Chip	130.4	137.3	+0.3	-
American Income	214.6	229.3	-0.5	-
North American	547.9	582.9	-3.4	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

to need world bank help to proceed.
In the Ukraine, unable and

and deputy general ... Electricité de France, told the little control

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Nafta helps dollar

President Clinton's narrow triumph over the NAFTA was the cause for some movement in the dollar yesterday, even though the markets had assumed a success for the administration on the trade deal ahead of the actual vote, *writes Rachel Johnson.*

In early trading, the D-Mark continued its slide against other European currencies and the dollar, even though further falls were arrested by the decision of the Bundesbank not to cut either of the key lending rates at its regular meeting. It held fire and announced that its next two-week tender would be set at 6¼ per cent, a cut of four basis points from the lowest rate of 6.29 per cent in this week's pact.

The German discount rate remains at 5¾ per cent and the Lombard emergency financing rate at 6¾ per cent. The cut in the repo rate provided the cue for the dollar's high for the day of DM1.7146, after a previous close of DM1.7050. There was resistance to any rise above that level. It closed in London at DM1.7110.

"That should set the floor for the time being," said Mr Neil MacKinnon, chief economist at Citibank, the US bank. "Now the main speculation is about a cut in French rates." The French had been using currency strength to rebuild their reserves but it now appears that the Franc was resilient enough to weather a cut in French interest rates.

After a high of FFr3.4580 against the D-Mark, the French franc closed in London at FFr3.461.

After the Bundesbank's moves the dollar drifted down, reflecting the fact that the NAFTA decision had been well-anticipated in the market. The release of weekly US unemployment figures did not manage to boost the currency any more than the trade deal, though expectations of a cut in German interest rates next month and improving economic data will keep expectations about the dollar rosy.

The dollar's performance against the Yen was not particularly affected by the NAFTA outcome. Though the currency was helped by the news, dealers waited to see what Mr Clinton would say to the Japanese prime minister. Today, Mr Clinton meets Asia-Pacific economic forum leaders to discuss the lifting of trade barriers and reduction of surpluses with Japan and China.

His success with NAFTA could help accelerate a trade agreement with Japan. As Japan holds a $50bn trade surplus with Washington, any success in these talks should help the dollar against the yen.

In London, the release of a mixed bag of economic data in the form of a sharp fall in unemployment and weak credit data left sterling's generally firm across the board intact. The pound closed at $1.4770, unchanged on the previous day. Against the D-Mark, however, sterling benefited from the Bundesbank's decision to cut the repurchase rate. The pound closed at DM2.5275, after a previous DM2.5175.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 18	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672		-1.77		-
D-Mark	1.94964	1.92365	-1.34	4.03	-
Irish Punt	0.808628	0.804189	-0.55	3.20	4
Spanish Peseta	154.250	155.224	0.63	1.99	-4
Belgian Franc	40.2123	40.7784	1.41	1.21	-10
Portuguese Escudo	192.854	195.684	1.46	1.16	-10
French Franc	6.53883	6.65888	1.84	0.78	-15
Danish Krone	7.43679	7.63287	2.64	0.00	-18

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Nov 18	Latest	Previous Close
£ Spot	1.4770 - 1.4780	
1 month	0.33-0.32pm	0.34-0.33pm
3 months	0.79-0.77pm	0.82-0.80pm
12 months	2.35-2.28pm	2.40-2.35pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE EURO MARK OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

U.S. TREASURY BILLS (IMM)

THREE-MONTH EURODOLLAR (IMM)

BRITISH POUND (IMM)

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

PHILADELPHIA SE £/$ OPTIONS

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

THREE-MONTH PIBOR FUTURES (MATIF)

CAC-40 FUTURES (MATIF) Stock Index

ECU BOND (MATIF)

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
123	1.51	-	-	0.02	-	-
124	0.64	-	-	0.11	0.11	-
125	0.10	-	-	0.58	0.21	-
126	0.02	-	-	-	0.34	-
127	-	1.97	2.11	-	0.68	1.27
Open int	204,458	118,828	1,190	177,898	88,982	980

Estimated volume 71,242 † Total Open Interest 592,116

† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4770		1.4694	1.4634	1.4542

BASE LENDING RATES

	%		%		%
Adam & Company	6	Duncan Lawrie	6	●Rea Brothers	6
Allied Trust Bank	6	Exeter Bank Limited	7	* Roxburghe Bank Ltd	6
AIB Bank	6	Financial & Gen Bank	7	* (In administration)	
●Henry Ansbacher	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Bank of Baroda	6	Girobank	6	●Smith & Williamson Secs.	6
Banco Bilbao Vizcaya	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Cyprus	6	Habib Bank AG Zurich	6	TSB	6
Bank of Ireland	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of India	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Bank of Scotland	6	●Hill Samuel	6	Western Trust	6
Barclays Bank	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
Brit Bk of Mid East	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
●Brown Shipley	6	Julian Hodge Bank	6	Yorkshire Bank	6
CL Bank Nederland	6	●Leopold Joseph & Sons	6		
Citibank NA	6	Lloyds Bank	6		
City Merchants Bank	6	Meghraj Bank Ltd	6		
Clydesdale Bank	6	Midland Bank	6		
The Co-operative Bank	6	* Mount Banking	6		
Coutts & Co	6	* (In administration)			
Credit Lyonnais	6	NatWestminster	6		
Cyprus Popular Bank	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Buba holds fire

This week's key economic releases and speculation about interest rate moves at Budget time drove the money market yesterday, *writes Rachel Johnson.*

After Wednesday's encouragingly low inflation numbers those hoping for an interest rate cut in the Budget on November 30 took strength in the money supply figures – which showed weak demand for credit across both the personal and corporate sectors.

UK clearing bank base lending rate 6 per cent from January 26, 1993

At its regular fortnightly council meeting the Bundesbank did not change either its Lombard or discount rates but did pare another four basis points off the repo rate. Next week's two-week rate will be fixed at 6.35 per cent.

This prompted some speculation in Paris of a 15 to 20 basis points trim in the French intervention rate over coming weeks – possibly ahead of an official cut in German rates.

In London, however, the three-month interbank rate for sterling remained unchanged at 5½ per cent from the previous day's close. This price reflected mixed sentiment in the market following an unexpectedly-big drop in unemployment and well-founded caution about the Chancellor's next move. Short sterling was almost unchanged – the March contract closed at about 94.79, steady on the previous day.

"The latest figures have been conducive for a rate easing but we have had our fingers burnt predicting Kenneth Clarke before," said one trader.

Also impelling caution were yesterday's labour market figures, which left analysts wondering as to the real direction of the recovery after poor retail sales figures earlier in the week.

The surprising 49,000 fall in unemployment last month to 2.85m suggests that the jobless total is now on a downward trend – but the figures have been erratic since the falls first started occurring in February.

The sterling yield curve still reflects expectation that the Chancellor will cut rates by half a percentage point in the Budget and by the same amount in April.

The Bank of England's operations were routine. It predicted a fairly large liquidity shortage of £1.7bn (later revised upwards to £1.8bn) in the morning, which it fully relieved during the day.

Elsewhere, the Central Bank of Norway cut its overnight lending rate to 6.75 per cent from 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 18)	3 months US dollars		6 months US Dollars	
	bid 3⅜	offer 3½	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

[illegible]

CANADA

TORONTO

4 pm close November 18

[illegible]

MONTREAL

4 pm close November 18

[illegible]

INDICES

NEW YORK

DOW JONES	Nov 17	Nov 16	Nov 15	Nov 12	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3704.35	3710.77	3677.82	3684.21	3710.77 (16/11)	3241.95 (20/1)	3710.77 (16/11/93)	41.22 (2/7/32)
Home Bonds	108.93	108.02	105.39	105.17	108.77 (18/10)	103.49 (11/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1731.99	1759.58	1753.14	1752.57	1759.58 (16/11)	1453.64 (4/1)	1759.58 (16/11/93)	12.32 (8/7/32)
Utilities	225.62	225.40	222.45	224.86	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3742.93 (3723.91) Low 3660.19 (3653.77) (Theoretical♦)
Day's High 3718.04 (3711.69) Low 3684.51 (3669.42) (Actual♦)

STANDARD AND POOR'S	Nov 17	Nov 16	Nov 15	Nov 12	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	464.81	466.74	463.75	465.23	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials¶	538.82	540.25	537.17	538.82	540.25 (16/11)	486.49 (26/4)	540.25 (16/11/93)	3.62 (21/6/32)
Financial	43.33	43.75	43.51	43.86	48.40 (28/9)	38.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Composite	256.81	257.00	256.58	257.57	260.46 (15/10)	236.21 (8/1)	260.46 (15/10/93)	4.46 (25/4/42)
Amex Mkt. Value	472.54	474.73	477.82	479.50	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Composite	782.36	771.69	772.45	779.32	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

	Nov 12	Nov 5	Oct 29	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.77	2.79	3.20
	Nov 10	Nov 3	Oct 27	year ago (approx.)
S & P Industrial div. yield	2.40	2.41	2.42	2.65
S & P Ind. P/E ratio	28.60	28.61	28.51	27.72

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Telefonos	7,783,800	58¾	-⅛
RJR Nabisco	5,809,400	6⅞	-⅛
Unilever	5,510,300	112⅞	+⅛
Merck	5,395,000	33⅞	—
Gen Motors	4,744,900	53⅞	+1⅛
IBM	4,371,500	52	-⅜
Philip Morris	4,113,900	55⅞	-1⅛
Paramount	3,052,000	77⅞	-⅜
Wal-Mart Strs	2,817,400	29⅞	-⅛
Boeing	2,901,700	40½	+2⅞

TRADING ACTIVITY

† Volume (Millions)	Nov 17	Nov 16	Nov 15
New York SE	311.277	298.628	242.478
Amex	20.057	18.248	18.902
NASDAQ	(u)	312.690	271.141
NYSE			
Issues Traded	2,684	2,681	2,654
Rises	771	1,088	830
Falls	1,303	1000	1,237
Unchanged	610	625	587
New Highs	64	72	84
New Lows	57	52	44

CANADA TORONTO	Nov 17	Nov 16	Nov 15	Nov 12	1993 HIGH	1993 LOW
Metals & Minerals	3197.15	3198.48	3159.84	3184.07	3197.15 (17/11)	2740.31 (21/1)
Composite	4236.50	4257.20	4281.80	4302.80	4302.80 (12/11)	3275.80 (21/1)
MONTREAL Portfolio	2007.77	2007.77	2017.08	2028.02	2037.41 (11/11)	1720.07 (21/1)

[redacted] Composite and Metals - 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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WORLD					HIGH	LOW
M.S. Capital Intl (1/1/70) $	595.3*	598.0	597.6	598.3	607.10 (15/10)	498.80 (13/1)
Euro Top-100 (25/6/90)	1158.23	1151.49	1141.1	1143.26	1175.45 (22/10)	882.73 (13/1)

**Saturday November 13: Taiwan Weighted Price Ix, Korea Comp Ex 798.55.
¶ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable 1,000,

TOKYO - Most Active Stocks

Thursday, November 18, 1993

	Stocks Traded	Closing Prices	Change on day
Joyo Bank	3.8m	858	-3
Daikyo Inc	3.4m	860	+17
Penta Ocean Cont	3.2m	553	-7
Aomori Bank	3.1m	640	+9
Nippon Steel	2.8m	329	+2
Hitachi	1.6m	813	+15
Nomura Sec	1.6m	1,930	+30
Odakyu Elec Rail	1.6m	748	+17
Uniden	1.4m	3,370	-30
Fujitsu	1.4m	819	+3

4 pm close November 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR	0.48	3.6	75	87	13½	13¼	13½	+¼
20⅞	13½	A L Labs A	0.18	1.3	32	1040	14	13⅝	13⅞	+⅛
67¼	54⅝	AMP	1.60	2.7	20	2181	59½	59	59	-⅜
72¾	55½	AMR			54	4736	69⅞	69	69	-⅞
3⅞	1¾	ARX			13	114	3½	3⅜	3⅜	-⅛
61½	29⅞	ASA	2.00	4.1	32	720	49⅝	48⅞	49	-⅛
30¾	22⅝	Abbott L	0.68	2.4	17	12081	29⅛	28½	28⅞	
12⅝	8¼	Abitibi Pr	0.50	4.7	6	z100	10¾	10¾	10¾	
15⅝	8¾	Acptrncain			20	246	12½	12⅜	12⅜	
36	25½	ACE Ltd	0.92	3.1	5	1739	30¼	30	30	-⅛
12	10¾	ACM Gvt In	0.96	8.1		1090	u12	11¾	11⅞	
10⅛	9⅛	ACM GvOpp	0.80	8.4		63	9⅝	9½	9½	
10⅛	8¾	ACM Gvt Sp	0.80	8.1		619	10	9⅞	9⅞	
11⅝	10½	ACM Gvt Se	0.96	8.3		884	u11⅝	11⅜	11⅝	+¼
11⅞	9⅝	ACM Man	1.08	9.2		393	u11⅞	11⅝	11¾	+⅛
9⅞	8⅜	ACM Managd	0.72	7.8		199	9¼	9⅛	9¼	
12⅞	7¾	AcmeCiv	0.44	4.5	13	21	10¾	9¾	9¾	-¼
11⅜	6⅜	Acme Elect			39	16	8⅝	8½	8⅝	-⅛
27⅝	19⅜	Acordia	0.44	2.0	12	498	22	21⅜	21⅝	-⅛
16	10⅜	Acuson			64	561	14⅛	13⅞	14⅛	+⅛
21¾	18⅛	Adams Expr	0.48	2.7	0	138	18¼	d18	18	-¼
65¼	45½	Ad Micro	3.00	6.2		82	48⅞	48	48¼	-⅝
32¾	17⅝	AdvMiz	3.00	16.4	6	9682	19⅜	18¼	18¼	-¾
8⅛	5½	Advest Gro	0.16	2.3	12	98	7⅛	7	7	-⅛
24¼	14¼	Advo Inc	0.08	0.5	75	113	15⅞	15½	15¾	+¼
51¾	41⅛	Aegon ADR	1.23	2.5	10	37	50¼	49¾	49¾	-⅜
66¼	43⅜	AetnaL	2.76	4.7	25	1347	60⅛	58⅞	58⅞	-⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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4 pm close November 18

NYSE COMPOSITE PRICES

Continued from previous page

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
25⅞	16⅞	Safeg'd Sc			11	79	25¾	25	25⅜	-⅛
24¾	13⅛	SbtyKl	0.36	2.7	20	1548	13⅝	13⅛	13½	+⅛
22¾	10⅞	Safeway			26	3383	21½	21	21¼	
5¼	2	SafewayW95				210	4⅞	4⅞	4⅞	
55	37½	StJoePaper	0.20	0.4	288	83	51⅞	50⅞	51	-½
37⅞	31	StJoeLSP	1.76	5.7	12	40	31⅛	31	31⅛	+⅛
98	75	StPaul	2.80	3.2	14	488	89	87⅞	87⅞	-1⅛
11⅞	7¼	Salant Crp			9	9	7¾	7⅝	7⅝	-⅛
75¼	39⅞	Sallie Mae	1.20	2.7	9	13049	44½	44	44	-½
14⅞	12¾	Salomon Br x	0.32	2.5		504	13	12⅞	13	+¼
51⅞	34	Salomon	0.64	1.5	10	2336	43⅞	43¼	43⅝	-⅛
27¾	23¼	SnDgGE	1.48	6.0	13	274	24¾	24⅝	24¾	+⅛
5	3½	SantaFeSDu	0.40	8.2	48	10	4⅞	4⅞	4⅞	
11⅞	9⅛	SantaFeERe	0.16	1.6	325	597	9⅞	9⅝	9¾	
40¾	35¾	SantaFePac	2.80	7.4	18	70	38	37⅝	38	-⅛
21⅞	12¾	SanFeP	0.10	0.5	8	7017	20¾	19¾	20⅛	+¼
31⅛	21	SaraLee	0.58	2.1	19	5359	27⅞	27¼	27⅝	-⅛
62¼	40⅛	Scana Corp	2.74	5.6	13	238	49⅛	48½	48¾	+⅛
25¾	20	Scecp	1.42	7.1	13	12508	20⅝	20	20⅛	-⅛
38⅞	23⅞	SchrerRP			27	318	34⅛	33⅝	34	-⅛
71	51¾	SchrPl	1.60	2.7	16	4636	60¼	57⅛	57⅝	+⅜
68⅞	55½	Schlmb	1.20	1.9	24	3124	61⅞	61⅛	62⅝	-⅛
38⅞	16½	Schwab(C)	0.20	0.6	15	3890	32⅝	30¾	31	+⅜
7¾	5⅝	Schwitzer			92	254	6⅝	6½	6½	-1⅛
38⅞	17¾	SciAtl	0.12	0.4	46	2687	31⅞	31	31	-⅛
13⅞	9⅛	Scotman	0.10	0.8	12	11	12⅞	12¾	12¾	-⅛
41	31	ScottP	0.80	2.1	23	1100	37⅞	37	37¼	
35⅞	14¼	ScuddrNAsF	0.21	0.8		170	24⅞	24¾	24⅞	-½
11⅛	7½	ScuddrNEuF	0.16	1.6		179	10⅛	9⅞	10⅛	
31½	16¾	SeaCnB	0.70	3.9	8	12	18	17½	18	+⅛
17	15	SeaC1.4625	1.46	9.4		3	15½	15½	15½	+½

- X - Y - Z -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
98⅞	88⅞	Xerox	3.00	3.6	33	[illegible]	82⅝	81⅞	82¼	-⅛
60½	51½	Xerox4.125	4.12	7.6		2100	54¾	54¼	54¼	
50½	31¼	Xtra Corp	0.48	1.1	17	2076	44¾	40⅝	43¾	+2⅛
30¾	19½	Yankee Egy	1.16	4.5	15	68	25⅞	25⅝	25⅞	+⅛
1⅝	⅜	Zapata			21	1928	1⅝	1⅜	1½	+⅛
10½	6⅞	ZeinEl				[illegible]	8⅛	7⅞	7⅞	+¼
32¾	18⅝	Zenith Nat	1.00	4.5	10	343	23¼	22⅛	22⅝	-⅞
9	6½	Zenix Inc	0.82	10.9		106	7⅝	7½	7½	
15⅞	12⅞	Zero	0.40	2.6	19	359	15⅝	15⅜	15½	
40¾	25⅜	Zero Ind	0.88	3.2	60	749	27⅞	27⅜	27⅞	+⅛
13⅝	12⅝	Zweig Fund	1.12	8.2		307	13⅝	13½	13⅝	+⅛
10⅞	9⅞	Zweig Totl	0.85	8.8		219	10⅜	10⅝	10¼	

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close November 18

NASDAQ NATIONAL MARKET

4 pm close November 18

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FINANCIAL TIMES

Perrier battle ends with something for everyone

AMERICA

Dow falls on selling after Nafta news

Wall Street

US INVESTORS put the successful passage of Nafta through the House of Representatives behind them yesterday, and focussed instead on rising bond yields. With profit-taking also in evidence, the result was a decline in share prices across the board, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 27.39 at 3,676.96. The more broadly based Standard & Poor's 500 was 2.14 lower at 462.67, while the Amex composite was down 2.28 at 470.26, and the Nasdaq composite off 5.62 at 756.74. Trading volume on the NYSE was 166m shares by 1 pm.

Although the equity markets had hoped that the House of Representatives would vote for Nafta, investors did not greet the good news with buying, primarily because expectations of a successful outcome had already been discounted earlier in the week. Thus, the stage was set for some early losses as investors took more profits earned during the markets' gains on Tuesday.

Another rise in bond yields also pressured prices lower at the opening. The bond market was reacting to the latest evidence that the economy was growing, in the form of a 20,000 decline in weekly jobless claims, and a stronger than expected Philadelphia Federal Reserve Bank report on local business activity.

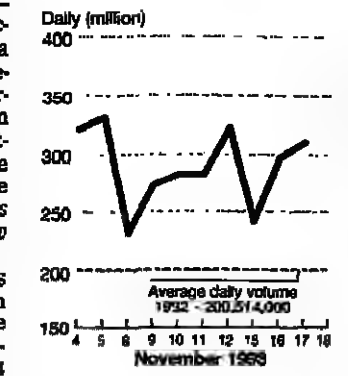
Although the data should have been bullish for stocks, equity investors were more concerned by the latest rise in bond yields.

Trading in Chevron was halted because of an order imbalance on the sell side amid speculation that Pennzoil, a major shareholder, would sell its stake in the company. After refusing to comment, Pennzoil later confirmed that it had sold 8.2m shares in the oil group. By early afternoon Chevron was down $4½ at $88¼ in volume of 9m shares, while Pennzoil, which was left with a 2.8 per cent stake in Chevron, was up $⅞ at $58⅝.

Other major oil stocks fell in sympathy. Texaco dropped $⅞ to $65⅞, Mobil eased $⅝ to $76⅝, and British Petroleum slipped $1 to $61.

Mexican-related stocks celebrated the Nafta vote with gains. Telefonos de Mexico rose $¼ to $57 in volume of 3.8m shares, the Mexico Fund added $⅞ at $29¼, and the Emerging Mexico Fund climbed $¼ to $22.

NYSE volume



MEXICAN equities opened nearly 1 per cent ahead in response to US approval of Nafta, but then fell back as many investors decided that now was the time to take profits. At midday the IPC index was down 0.43 at 2,148. Some analysts expect the market to gain 30 per cent by March.

Canada

TORONTO stocks were modestly higher in early trading following the approval of Nafta. The TSE-300 composite index was up 2.39 at 4,238.89 in volume of 8.4m shares valued at C$78.8m.

EUROPE

'Big Three' Frankfurt chemicals underperform

BOURSES responded to the falls on Wall Street, *writes Our Markets Staff.*

FRANKFURT, back from a day's holiday, effectively matched Wednesday's gains in other continental markets as the DAX index rose 13.62 to 2,085.34; but it lost most of that rise after hours.

Turnover fell from DM11.1bn to DM9bn. Among blue chips, there were falls against the trend of 30 pfg in both BASF and Hoechst, to DM274.20 and DM279.20 respectively, with Bayer only 80pfg higher at DM328.50. Hoechst revealed disappointing third quarter results nine days ago, and BASF and Bayer produce their figures next week.

Commerzbank jumped DM4.90 to DM362.40, hoping for news of a higher dividend next week, and Porsche put on DM30, or 4 per cent to DM785 in a generally firm automotive sector, up on the higher dollar, said Ms Heidemarie Höppner at B Metzler in Frankfurt.

PARIS lost early gains as the session progressed. The CAC-40 index closed up 1.68 at 2,149.67 after a day's high of 2,171.93. Turnover was some FFr4.4bn.

Roussel-Uclaf advanced FFr24 to FFr721 with some reports suggesting that investors were switching out of other drug stocks.

LVMH rose FFr126 to FFr3,770 on news that it was selling its skin care products company to Johnson & Johnson of the US. However, suggestions that it was to sell its Pommery champagne division were denied by the group.

AMSTERDAM lost a little momentum towards the close of business, but the CBS Tendency index remained in positive territory, showing a gain of 0.5 to 137.5.

Heineken broke through the Fl 200 level for the first time in a week, Fl 3.10 higher at Fl 200.70 as it reported that its Spanish unit was to sell a brewery to Coors of the US.

Hoogovens was worried by fears that a deal on European steel subsidies might not reach agreement, the shares ending down Fl 2.40 at Fl 45.70.

MILAN maintained an interest in telecoms as Stet announced that it had approved a restructuring plan, and was hopeful of an improvement in earnings over the next three years. Its shares rose L125 to L3,769, and those of Sip, the domestic operator, by L74 to L3,195.

The Comit index closed 10.69 higher at 548.05. In a note on the telecoms sector, James Capel came out on balance in favour of Sip as standing to reap the greater benefit from the proposed reforms, and suggested that there was a case for switching out of Stet into the domestic utility.

Among the banks Credito Italiano advanced L31 to L2,479, and BCI L88 to L4,466.

ZURICH got back on the upgrade after pausing earlier this week for the outcome of the US Nafta vote. The SMI index closed 16.0 better at 2,727.1 after profit-taking eroded a day's high of 2,735.0.

UBS enlivened a staid banking sector, rising SFr12 to SFr1,307 after a confident look at 1994, and Brown Boveri gained SFr16 to SFr1,045 ahead of next week's figures from the Swedish-Swiss operating group, Asea Brown Boveri.

BRUSSELS broke through the 1,400 level to record its second consecutive record high, the Bel-20 index advancing another 11.07 to 1,408.83.

Turnover was down from Wednesday's BFr4bn, when the market was excited by the day's combination of interest rate cuts and government agreement on economic reform, but it was still healthy at BFr2.8bn.

Banks and other financials were strong on expectations that more interest rate cuts could be on the way and, in retailing, GIB put on BFr18 to BFr1,376 in exceptional volume of 293,600 shares as analysts said that institutionals had seen it as undervalued.

STOCKHOLM was disappointed when the Riksbank left Swedish interest rates unchanged and when Ericsson, the high flying telecommunications group, managed to disappoint the market with a forecast that 1993 profits would be "somewhat more than doubled".

The Affärsvärlden General index fell 3.10 to 1,396.60. Ericsson was unchanged on the day at SKr413, down from an intraday high of SKr426, and Volvo's turnround from a loss to profits substantially higher than expected left the carmaker only SKr3 higher at SKr422.

WARSAW plunged under selling pressure from small investors trying to raise cash to buy shares of Bank Slaski in Poland's biggest ever public offering. The WIG index fell 537, or 5.9 per cent to 8,609.8 and turnover was a very active 1,600bn zloty as investors placed 47,823 orders, an all-time record.

Written and edited by William Cochrane and John Pitt.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

November 18 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1374.56	1377.01	1374.96	1375.94	1375.69	1372.37	1368.82	1367.52
FT-SE Eurotrack 200	1433.72	1435.41	1434.19	1433.27	1434.15	1430.51	1427.44	1427.61

	Nov 17	Nov 16	Nov 15	Nov 12	Nov 11
FT-SE Eurotrack 100	1363.56	1353.29	1347.91	1339.42	1335.92
FT-SE Eurotrack 200	1423.11	1416.29	1413.86	1402.18	1403.42

Base value 1000 (26/10/90) High/day: 100 - 1377.01; 200 - 1436.34 Low/day: 100 - 1366.98 200 - 1426.04.

ASIA PACIFIC

Hong Kong falls by less than London dealers feared

Tokyo

PROFIT-taking following the ratification of the North American Free Trade Agreement by the US House of Representatives eroded early Tokyo gains, but the Nikkei average held its ground, closing marginally higher on the lack of negative news, *writes Emiko Terazono in Tokyo.*

The 225-issue index ended 57.61 up at 18,166.32 after a day's high of 18,336.63 and a low of 18,117.71. Traders said activity was largely technical, with the futures market leading the downturn on disappointment that the dollar did not strengthen after the passage of Nafta.

The Topix index gained a net 10.50 at 1,551.32. Volume was 220m shares, against 216m. Many investors refrained from activity due to the afternoon voting in the lower house over political reform. Following the parliamentary voting, however, investors failed to react since the passage of the bill had been expected.

Rises still led falls by 618 to 316, with 200 issues unchanged. In London the ISE/Nikkei 50 index eased 0.02 to 1,251.23.

Retailers were strong on hopes of benefits from proposed deregulation measures. Ito-Yokado jumped Y100 to Y5,590 and Seven-Eleven appreciated Y100 to Y9,150.

In spite of profit-taking by corporate investors, bank stocks remained firm on index-linked buying. Mitsubishi Bank rose Y50 to Y3,050 and Fuji Bank put on Y30 at Y2,280. Regional banks were actively traded. Joyo Bank, the day's most active issue, was finally Y3 down at Y866, and Aomori Bank added Y9 at Y640.

Honda Motor fell Y30 to Y1,470 on selling by US brokers, while Sony lost Y10 to Y4,840 after the dollar failed to rise following the Nafta vote.

Meanwhile, East Japan Railway shed Y2,000 to Y456,000 and Nippon Telegraph and Telephone lost Y3,000 at Y778,000 on profit-taking after initial gains. Penta Ocean Construction was hit by margin unwinding and closed Y7 cheaper at Y553.

Daikyo, the condominium builder, forged ahead to finish Y17 up at Y893, after losing ground on prospects of bleak full year results.

In Osaka, the passage of the political reform bill in the lower house increased buying, and the OSE average rose 52.77 to 20,342.95 in volume of 15.7m shares. Santen Pharmaceutical advanced Y120 to Y3,180 on its forecast of a 9 per cent rise in pre-tax profits for the business year to March.

Roundup

SOME markets in the region used the US congress approval of the Nafta agreement as an excuse to take profits yesterday, following Hong Kong's third day on the downgrade.

HONG KONG fell, but not by as much as London feared on Wednesday following the leak that Morgan Stanley was cutting its weightings in the market.

The Hang Seng index lost 171.55, or 1.8 per cent, at 9,335.43, up from an indicated 9,185 in London overnight. Turnover edged up from HK$8.04bn to HK$8.14bn. Mr David Roche, global strategist at Morgan Stanley, talked of "a bubble on the Hong Kong market . . . it is not that the China story has gone too far, it is that it has gone too fast".

SINGAPORE rose briefly on news of Nafta's passage, but drifted lower in the afternoon. The Straits Times Industrial index ended 10.31 down at 2,086.20, after a day's high of 2,105.35. Volume was modest at 166.55m shares.

AUSTRALIA was disappointed by domestic corporate news, which left the All Ordinaries index a modest 3.7 higher at 2,108.0. Turnover amounted to A$414.1m.

National Australia Bank's results came within expectations, but there was disappointment that hopes of a scrip issue proved unfounded. The shares ended 2 cents up at A$12.88, off a day's high of A$13.14. There was less satisfaction with results from Westpac, 3 lower at A$4.69.

NEW ZEALAND added to Wednesday's strong rally with a 2 per cent advance, after the political situation was clarified. The NZSE-40 capital index moved ahead 40.06 to 2,114.42 in turnover of NZ$84.5m.

Foreign buyers, in particular, were reported to have been re-entering the market, with Telecom picking up 15 cents to NZ$4.30.

SEOUL registered its second 1993 high of the week, the composite stock index ending 12.46 stronger at 822.63. However, brokers said once again that the latest gains reflected an influx of individual investors, and that a technical adjustment was expected next week.

BOMBAY rallied on support from foreign institutions. Mr Nigel Spence of Lehman Brothers commented that switching of funds out of Hong Kong and into India had been evident. Confidence had also returned to equities, he added, following the lifting of the Srinagar seige by the army on Tuesday. The BSE index closed 54.69 up at 2,932.31.

BANGKOK moved forward on strength in the finance sector, which helped the SET index to a gain of 10.59 at 1,371.72. Turnover totalled Bt16.1bn.

MANILA eased as investors were seen taking profits. The composite index lost 7.13 to 2,404.18 in 1.25bn pesos turnover. PLDT fell 15 pesos to 1,790 pesos after an overnight decline in New York trading.

SOUTH AFRICA

AFTERNOON strength in share prices left the industrial index showing a particularly good performance, finishing at a high for the year of 4,854, up 57. Golds advanced 24 to 1,921 and the overall index rose 40 to 4,205.

Zurich tests equity turnover peaks

By Michael Morgan

Turnover in leading European equity markets resumed its advance in October with a 10.1 per cent rise, matching the decline of the previous month.

The October advance was accompanied by a strong 5.4 per cent rise in the FT-Actuaries Europe index, with confidence bolstered early in the month by President Boris Yeltsin's military success against Russian hardliners who had occupied the White House in Moscow. The Bundesbank's unexpected decision to cut discount and Lombard rates on October 21 generated more enthusiasm.

Mr James Cornish of NatWest Securities notes that the strength of the markets was reflected in sharp improvements in local market indices in Switzerland, which rose by 8.9 per cent, the Netherlands, up 8.6 per cent, Germany, 8.2 per cent higher, and Spain, 7.3 per cent ahead. Markets which rose most during the month also demonstrated the largest increase in turnover.

Mr Cornish adds that turnover on Seaq International, the London screen based trading system, rose by 10.7 per cent on the month for the seven continental European markets, "so that there was a slight rise in London international volume as a percentage of the domestic market turnover, suggesting buying interest on the part of both international and domestic investors".

Zurich and Amsterdam, September's worst performers, became October's biggest gainers. Buyers bought both as a result of the dollar's strength and falling interest rates.

Swiss turnover surged by 42.9 per cent to levels surpassing the previous peak of July 1989 as the SMI index finally broke through resistance at 2,500 early in the month and went on to establish a series of record highs.

Mr Nicholas Wergan of Smith New Court notes that demand for stock was the result of the apparent rediscovery by foreign investors of Swiss blue chips, on realisation that they had become cheap by international standards.

Banks pulled the market higher as some interim results surpassed expectations, while insurers benefited from plans to increase the sector's weighting in the SMI index.

Mr Wergan said Switzerland had also proved a beneficiary of hesitancy over the outlook for Germany and France, while there was a return of investor awareness towards the small and medium Swiss stocks in the light of the bottoming out of the domestic economy after monetary easing.

The Netherlands saw turnover rise 32.8 per cent, also a record, and Spain advanced 26.3 per cent in October and 20.7 per cent over the average of the previous three months.

Italy was the month's big loser as the market was unnerved by an increasingly uncertain political outlook and as it faced up to the prospect of a very heavy calendar of capital raising exercises, most notably that by Fiat. Turnover fell 28.6 per cent on the month accompanied by a 2.2 per cent fall in the local market index.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jul 1993	Aug 1993	Sep 1993	Oct 1993	US $bn
Belgium	59.86	64.52	66.99	77.87	2.14
France	151.18	176.99	184.37	201.93	34.35
Germany	188.75	184.40	150.42	183.24	109.07
Italy	35,687.2	47,394	44,009.6	31,410	19.26
Netherlands	21.60	23.60	18.90	25.10	13.32
Spain	806.04	959.64	825.61	1,042.89	7.75
Switzerland	26.90	24.50	19.00	28.30	19.06
UK	45.99	50.90	49.82	49.32	73.40

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 17 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 16 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	157.80	+1.5	158.39	106.73	139.88	158.64	+0.9	3.27	155.49	155.19	104.73	137.59	157.15	162.83	117.39	109.76
Austria (17)	173.63	-0.1	174.28	117.44	153.91	153.91	+0.4	1.02	173.81	173.47	117.07	153.60	153.37	184.47	131.16	140.89
Belgium (42)	153.25	+1.1	153.83	103.65	135.85	136.82	+1.2	4.22	151.58	151.29	102.09	134.13	134.85	156.75	131.16	135.34
Canada (107)	133.86	+0.1	134.37	90.54	118.65	127.51	+0.0	2.62	133.77	133.51	90.09	118.36	127.52	135.34	111.41	111.76
Denmark (32)	236.56	+0.4	237.46	160.00	209.69	217.58	+0.4	1.04	235.56	235.10	158.66	208.44	216.66	241.06	185.11	196.62
Finland (23)	124.18	+2.1	124.62	83.98	110.05	161.77	+2.0	0.69	121.55	121.31	81.87	107.55	148.81	126.99	65.50	66.95
France (98)	165.26	+1.1	165.69	111.77	146.48	153.14	+1.3	3.03	163.54	163.22	110.14	144.70	151.23	173.05	142.72	144.20
Germany (60)	132.23	-0.2	132.78	89.46	117.22	117.22	+0.0	1.81	132.48	132.26	89.24	117.22	117.22	136.13	101.59	105.87
Hong Kong (55)	386.46	-1.9	387.93	261.38	342.54	383.44	-1.9	2.85	394.00	393.22	265.36	348.65	390.78	394.34	218.82	237.36
Ireland (14)	175.41	-0.0	176.07	118.64	155.49	176.86	+0.3	3.20	175.46	175.12	118.18	155.26	176.41	177.89	129.26	123.48
Italy (70)	61.99	+1.3	62.22	41.92	54.95	77.27	+1.5	2.17	61.20	61.08	41.21	54.15	76.05	78.93	53.78	61.50
Japan (465)	145.48	-1.0	146.03	98.40	128.97	98.40	-0.1	0.83	146.95	146.67	98.98	130.05	98.98	165.91	100.75	102.53
Malaysia (69)	469.38	+0.3	471.16	317.46	416.09	461.25	+0.5	1.51	467.78	466.87	315.05	413.91	458.86	487.72	251.66	274.71
Mexico (19)	1969.30	+3.6	1976.75	1331.96	1745.63	6782.34	+2.0	0.73	1900.17	1896.44	1279.80	1681.39	6648.14	1969.30	1410.30	1499.35
Netherland (26)	189.12	-0.4	189.84	127.91	167.64	165.21	-0.2	3.21	189.86	189.49	127.87	168.00	165.47	197.07	150.39	149.36
New Zealand (13)	63.63	+7.4	63.87	43.04	56.40	61.42	+5.4	3.92	59.22	59.10	39.89	52.40	58.27	68.38	40.56	39.31
Norway (23)	179.03	+1.2	179.70	121.09	158.70	179.76	+1.5	1.42	176.85	176.50	119.11	156.49	177.03	185.10	137.71	128.05
Singapore (38)	313.93	+1.3	315.11	212.33	278.27	230.67	+1.5	1.39	309.95	309.34	203.76	274.26	227.18	332.55	207.04	195.45
South Africa (60)	223.27	-0.1	224.11	151.01	197.90	211.18	+0.9	2.54	223.52	223.08	150.54	197.78	209.34	223.52	144.72	136.61
Spain (42)	139.20	-0.8	139.72	94.15	123.38	145.10	+1.1	4.07	138.03	137.76	92.97	122.13	143.52	145.24	115.23	115.71
Sweden (38)	197.02	+0.9	197.77	133.26	174.65	240.12	+0.8	1.45	195.34	194.96	131.57	172.85	238.14	208.92	149.70	154.11
Switzerland (50)	146.48	+0.2	147.03	99.08	129.86	135.94	+0.1	1.60	146.16	145.87	98.45	129.35	135.79	148.18	108.91	102.40
United Kingdom (218)	186.65	+0.1	187.36	126.23	165.44	187.36	+0.7	3.83	186.43	186.07	125.55	164.95	186.07	193.97	162.00	163.48
USA (518)	189.26	-0.5	189.97	128.01	167.77	189.26	-0.5	2.73	190.16	189.79	128.08	168.27	190.16	191.56	175.38	172.91
Europe (751)	157.76	+0.3	158.36	106.70	139.85	152.79	+0.6	2.97	157.25	156.95	105.91	139.16	151.82	162.97	133.92	132.32
Nordic (114)	188.01	+1.0	188.72	127.17	166.68	198.73	+0.9	1.26	186.23	185.87	125.43	164.79	196.88	194.54	142.13	143.87
Pacific Basin (714)	154.47	-0.9	155.05	104.43	136.92	108.70	-0.5	1.11	155.79	155.49	104.93	137.86	109.26	168.80	105.69	107.17
Euro-Pacific (1465)	155.72	-0.4	156.31	105.31	138.03	126.12	+0.0	1.69	156.29	155.98	105.26	138.29	126.16	162.96	117.26	117.34
North America (625)	185.60	-0.5	186.31	125.55	164.54	185.03	-0.5	2.72	186.54	186.18	125.64	165.36	185.87	187.68	171.51	169.12
Europe Ex. UK (533)	139.11	+0.5	139.64	94.11	123.34	132.24	+0.6	2.42	138.49	138.22	93.29	122.57	131.45	143.73	112.51	113.35
Pacific Ex. Japan (245)	241.15	+0.3	242.06	163.13	213.78	223.80	-0.1	2.66	241.12	240.65	162.42	213.38	224.12	245.12	152.70	152.72
World Ex. US (1651)	156.93	-0.3	157.53	106.15	139.11	128.73	+0.0	1.90	157.40	157.10	106.02	139.29	128.72	162.89	118.51	118.20
World Ex. UK (1951)	164.79	-0.4	165.41	111.48	146.09	143.58	-0.3	2.04	165.48	165.15	111.45	146.44	143.97	168.66	134.22	133.08
World Ex. So. Af. (2109)	166.43	-0.4	167.06	112.58	147.54	146.95	-0.2	2.21	167.04	166.72	112.52	147.82	147.23	170.46	137.29	135.84
World Ex. Japan (1700)	179.73	-0.1	180.41	121.58	159.34	176.26	+0.0	2.78	179.92	179.56	121.19	159.23	176.28	181.67	157.47	154.53
The World Index (2169)	166.72	-0.4	167.35	112.77	147.79	147.50	-0.2	2.22	167.33	167.00	112.70	148.08	147.77	170.68	137.32	135.73

Constituent change 18/11/93: Name change: Procordia (A & B) to Pharmacia (A & B) (Sweden). Latest prices were unavailable for this edition. German market closed November 17.

JOBS: Adrian Furnham reports on free-time activities that do not necessarily tell us about interviewees

Decision makers ride a harder hobby horse

THE myopic, moon-faced executive leans back to absorb the well-prepared lies that he is about to hear after posing the question: "How do you spend you free time"?

It is a common enough interview question, as well as one that usually appears in the application form. It provides a wonderful opportunity, for self-aggrandisement and impression management.

"Crosswords, computers and lacrosse" is meant to indicate "I am literate, numerate and sporty", while "Numismatics and ichthyology" means "I am pretentious, collect coins and have a fish tank". "Train-spotting and fishing" probably means "I am honest".) Filling out this the section on leisure activities in the a job application form is usually pleasurable, but may pose difficulties.

Some people do not have leisure activities in a conventional sense: "pontificating at dinner parties" or "pottering round the house" do not usually qualify. For others work is their passion: Sir Peter Hall, for example, on being asked the question, replied: "Leisure? What need I of other pastimes when I enjoy my work so!" The other concern is being caught out. It is all very well putting down "modern jazz dancing" or "cuckoo-clock-carving" to impress, but what if there is an expert across the table who knows more about the subject than you?

According to Samuel Johnson, "All intellectual improvement arises in leisure", while Disraeli opined that "Increased means and increased leisure are the two civilisers of man".

Most people seem to think that an individual's choice of leisure pursuits reveals a person's needs, motives or habits. Thus extraverts, it is suggested, choose highly arousing, sociable, varied activities (disco dancing, amateur dramatics), while introverts prefer passive, retiring familiar activities (reading, collecting, computing).

However, this belief overlooks two important points. First, even though one might *want* to participate in a particular leisure activity (which might or might not reflect one's personality), one may be prevented from doing so by circumstances beyond one's control.

Second, a person's choice of occupation may also reflect needs. Thus those who have high nurturance needs may choose the medical profession; those with needs for order and silence, librarianship; the need for avarice may be fulfilled in the City; the need for power in parliament.

To the extent that a person's needs are fulfilled at work, be/she may be less driven to pursue their fulfilment elsewhere, in which case leisure activities might be expected to reflect personality strivings only marginally, if at all.

This notion is implicit in one of two, mutually contradictory, theories of work and leisure.

According to the currently in vogue "compensation theory", the last thing the BL worker wishes to do is to spend the weekend doing mechanical work. But if the "spillover theory" is true, he can't wait to repair his own or his neighbour's car.

Do people in fact spill over or compensate (or neither or both)? I did a little, albeit casual, research on this topic. Taking a fairly recent (1984) copy of *Who's Who*, I examined a semi-random sample of its distinguished decision makers, simply by looking at the entry on the top right of every fifteenth page. Most entrants specify their leisure time pursuits. They differ enormously. Some people use this as a vehicle for further self-aggrandisement: Donald Sinden lists French History and ecclesiology, and Cyril Smith charitable works. Others show they have a sense of humour: John Cleese lists gluttony and sloth, Frank Muir's is staring silently into space, while Frederick Raphael lists painting things white. The vast majority of entries, however, are curt and factual.

My research (that activity which is simultaneously private, respectable and pointless) showed music to be very popular, but what came out top was gardening.

Why gardening? Gardening for these Who's Whoers is a private, solo activity. Not for them the bonhomie and camaraderie of the allotment where working-class men escape their wives and families, and enjoy the odd glass of home-made wine carefully stored in the potting shed.

Gardening for these decision makers is a private, quiet activity away from other people and the drone of the boardroom.

Second, it is physically demanding exercise (in green wellies) that, quite literally, gets one's hands dirty. This is a nice compensation for those whose main exercise is pushing papers from left to right across smooth, well polished oak and leather-topped desks or opening a nice claret. Being physically tired from hard labour is a refreshing change from the exhaustion of a day on a committee or in a plane where thevery constraint on movement is itself exhausting.

Getting dirty – being "messy" – even more delightfully antithetical to a daily work routine which can be construed as a never-ending battle to impose order on potential chaos, i.e. to combat messiness, a legitimate outlet for what Freud would have termed "anal" impulses.

Third, and perhaps most importantly, gardening offers one the opportunity of activity producing something, and relatively quickly. Decision makers frequently are responsible for galvanising others into action and instigating programmes that ultimately achieve or produce something. But the time-spans are often excessively long – a bit like being an architect for a never finished cathedral or pyramid.

Sometimes, indeed often, one never sees the product of one's labours.

The Marxist alienation argument may apply here. Like the car worker on the conveyer belt who only screws in the rear parking lights, and never identifies with the completed vehicle that emerges shining and finished at the other end, the decision maker may never identify with, say, the new degree course or the new factory in South East Asia.

Therein lies the advantage of tomato growing. One can buy the seeds, water, weed and fertilise them and, within a relatively short period of time (usually just when those red and round Dutch and Jersey tomatoes are cheapest in the shops), harvest those small, speckled, gnarled objects, proudly displaying them as the centre-piece of a Sunday lunch.

There is one other possibility. Some people garden by planting oaks, by landscaping, by actually changing the environment. Michael Heseltine is one latter-day Capability Brown. For them, gardening is one way of making a lasting contribution to the future; a living monument. Life among the stocks and shares or on committees may provide money, but in many senses it is utterly ephemeral – merely the creation and circulation of paper. But to plant and tender great trees that will continue to grow and blossom long after one is dead, that has real worth.

But what of the evidence for spillover: the librarian who comes home looking forward to a quiet evening with a book; the car worker who downs tools on his BL plant to take up an identical set to tinker about with his car; the cook who leaves the over-priced health food restaurant to spend an enthralled evening at a vegetarian cookery-class?

The problem is that, ultimately, one really has no way of knowing which theory is true in any given case. It is a little like resolving the issue of the truthfulness of antonomous proverbs: out of sight, out of mind; or absence makes the heart grow fonder. It is quite possible that both are true, but in different circumstances.

What can we conclude from all of this? The "royal road" to understanding other people's personalities is clearly not via an expose' of their leisure activities. The main function of leisure questions on application forms is probably to provide interviewers both with something to talk about when they are at a loss, and with an opportunity for legitimate voyeurism.

So, beware of judging other people on the basis of their leisure activities. Your judgments may reveal more about yourself than about them.

The author is head of the Business Psychology Unit at University College London.

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MAJOR EUROPEAN INTERNATIONAL BANK - ASSETS IN EXCESS OF £130 BILLION

We invite applications from graduates with a numerate degree and ACIB (or part), aged 23-26, with 2-4 years corporate lending experience with a leading UK, European or US house. This experience will have been gained in a marketing support/junior account officer role and include credit analysis, spreadsheet modelling and loan proposals; also, although not essential, as training will be given, some exposure to documentation, structuring and origination will be an advantage. This is a rare chance to join a successful, expanding and closely knit team involved in the MBO, acquisition and structured debt market. You will initially share responsibility for a small portfolio with direct access to senior officers of client companies and, in due course, you will work on new transactions as part of the team. Essential qualities are a quick mind, hardwork, plus a strong and confident personality. Initial salary negotiable £24,000-£27,000 plus bonus, subsidised mortgage, non-contributory pension and free health scheme. Applications in strict confidence under reference SF4928/FT to the Managing Director: CJA.

Major European Bank
Manager - Credit Department

London | To £55,000 + Banking Benefits

This highly regarded, profitable European bank has an excellent reputation for stability, strength and quality of service. It has a substantial branch network in Europe and overseas, including a large office in London. The bank's strong credit rating gives it a competitive advantage in building relationships with UK clients, to whom it provides the full range of corporate banking and treasury services.

Following the promotion of the current incumbent, we have been retained to find a well qualified and experienced replacement as Manager of the UK Credit Department.

Reporting to the General Manager, the appointed candidate will manage a highly professional team responsible for all aspects of credit analysis, documentation and administration. He/she will work closely with the Head of Corporate Banking and the Head Office Credit Control Department, ensuring smooth and efficient work flow.

Candidates for this exacting, high profile role will have at least five years' credit experience, including formal credit training. Strong people management, organisational and interpersonal skills should be supplemented by excellent technical skills and a rigorous approach to credit control. Knowledge of the German language would be advantageous. Career development prospects within this major group - both in the UK and internationally - are excellent, so candidates must demonstrate the potential for further promotion.

In addition to the advertised salary, the competitive remuneration package includes a performance-related bonus, subsidised mortgage, car, non-contributory pension scheme and other benefits.

Please send a full CV in confidence to GKRS at the address below quoting reference number 244J on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TELEPHONE: 071 287 2820
A GKR Group Company

European Treasury Audit

London Based | ***c.£50,000 + banking benefits***

▪ Our client is a global leader in financial markets trading, operating in all major centres. A complete range of corporate and consumer products is also offered.

▪ The London based Treasury Audit Team enjoys an excellent reputation for the quality of its work and an in depth understanding of financial market products. Covering Europe, key business areas include foreign exchange and a rapidly expanding range of derivative products.

▪ The preferred candidate will be currently working in a financial markets environment, although not necessarily in an accounting or auditing role. A proven grasp of financial instruments, a clear understanding of the evolving role of audit and first class communication skills are essential requirements for this high profile role.

▪ Career development opportunities are varied, ranging from specialist support, risk management to trading. Such rotations have resulted in the need to recruit at this time.

▪ Your skills and innovative approach will be rewarded with a highly attractive career opportunity and an excellent benefits package.

▪ Please send your curriculum vitae and current salary details to Nicolas Mabin, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting ref: NM491 (Tel: 071-931 1178).

ERNST & YOUNG

Client Administrator

J.P. Morgan Investment Management Inc. is a leading investment institution with assets of some $40 billion under management. They are seeking to add to their client administration group.

The Group's key function and your role within it, would be to act as the focal point for their clients on all administrative issues from the confirmation of their appointment through the life of the relationship.

The job will involve: reviewing and negotiating client agreements; agreeing and facilitating client requirements; and acting as liaison between other Morgan departments and offices and their clients.

The ideal candidate, preferably a graduate, must be self motivated, resourceful, able to work well under pressure and demonstrate highly developed interpersonal skills. Attention to detail and accuracy are important. Previous experience in the securities industry, probably in a role involving client contact at senior levels, is essential. The position offers a generous salary and benefits package and excellent career prospects.

J.P. Morgan Investment Management Inc. is an equal opportunity employer.

Interested applicants should write with their cv, in confidence, to Helen Highet at
Jonathan Wren & Co. Limited, No.1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax 071-626 5259

JPMorgan

DEBT ARBITRAGE AND TRADING
Russia and Eastern Europe

Morgan Grenfell Debt Arbitrage and Trading is seeking to recruit a London based executive to join its expanding Russian and Eastern European team which is a market leader in trading and structuring transactions using discounted debt.

The position will require the successful candidate to identify and develop business opportunities in Russia and other Eastern European countries including Poland, Bulgaria and the former Yugoslavia.

Applicants for this position should be graduates with experience of western banking practices and a good understanding of the Russian financial system.

Prior experience of trading debt and structuring transactions using discounted debt is required. Experience of transacting banking business in Russia would be advantageous. We would expect that only those fluent in English and with a good working knowledge of Russian would be capable of dealing with the challenges of business development, negotiation and documentation that this position requires.

There is an attractive remuneration and benefits package.

Please write, giving full career details to:-
Mark Heyes, Morgan Grenfell & Co. Limited,
23 Great Winchester Street, London EC2P 2AX

MORGAN GRENFELL

ALBERT E SHARP
FAR EASTERN FUND MANAGER

Albert E Sharp is one of the largest wholly independent Stockbrokers in the UK with offices in Birmingham, London, Bristol and Manchester. The firm has over 350 employees.

Due to the rapid expansion of its International Fund Management activities, we are exclusively retained to recruit an executive to take up the position of Far Eastern Fund Manager. The successful candidate is likely to be professionally qualified with at least six years experience in managing Far Eastern investments and with the ability to assume immediate responsibility.

Our client is seeking to appoint an individual of the highest calibre and a competitive package will be offered.

Please reply in strictest confidence to:

Marise I Palmer
Wrightson Wood
63 Duke Street
London W1M 5DH

FINANCIAL TIMES
LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

FIELD SALES REPRESENTATIVE

Salary negotiable plus benefits

The Financial Times is a highly respected international newspaper with a reputation gained from the quality and integrity of its editorial coverage.

The Classified Advertisement Department has proved hugely successful in many areas, including Appointments, Business to Business, Residential and Commercial Property, and Travel. As part of our business expansion plans we are now seeking a talented individual educated to at least 'A' level standard who is motivated enough to sell in any one of the aforementioned categories.

The position will include selling to new and existing clients and their agencies all over the UK, both by telephone and face to face.

This will be an extremely challenging position, therefore the successful candidate must be highly organised, capable of working under pressure, possess excellent communication skills and be able to work as part of a team and in a competitive fast moving marketplace.

Please write with CV and covering letter to explain why you should be the successful candidate to:

Claire Broughton
Classified Advertisement Sales Manager
The Financial Times
Number One Southwark Bridge
London EC1 9HL

Closing date: 26 November 1993.

No Agencies.

TREASURER

SALARY PACKAGE C £35k

The North of England Building Society, twentieth in asset size but seventh in performance ranking (as compiled by an independent City analyst) seeks a Treasurer to strengthen its Finance Senior Management team. The key accountabilities will be to plan and execute the Society's liquid asset and wholesale funding strategies, develop balance sheet risk measurement processes and to manage the execution of appropriate hedging strategies. The job holder will be a key member of ALCO, knowledgeable about building society operations with an ability to communicate not only within the Society but also with senior executives of City institutions. He or she will need to demonstrate clear leadership and motivation in a fast changing competitive environment.

In addition to at least three years experience in a specialised banking or building society treasury environment the job holder should be educated to degree/professional qualification standard, such a qualification being either of one of the recognised accounting bodies or the Association of Corporate Treasurers (by examination).

The Society is shortly to relocate to modern office premises on the outskirts of Sunderland. An appropriate salary package will be offered to the successful applicant to include relocation expenses, subsidised mortgage, Private Health Care, Pension and Assurance scheme as well as a company car.

Applicants should send a copy of their C.V. with a covering letter in the first instance. Initial interviews will be conducted in Sunderland or London to suit applicants, whilst final interviews will be in Sunderland. The closing date for applications is 30th November 1993 and they should be addressed to:

Gordon Meek F.I.P.M.,
Head of Personnel Services,
North of England Building Society,
Fawcett Street,
Sunderland, SR1 1SA.

NORTH OF ENGLAND BUILDING SOCIETY

PARIBAS LIMITED

BANKING ASSOCIATES

Banque Paribas is a leading international wholesale banking group operating in nearly 60 countries. Its four core activities comprise: capital markets, corporate banking, advisory services and asset management.

Paribas operations in the UK form the largest presence outside France and their contribution to Paribas' global presence is of great importance to the Group. Due to the continued expansion of our London office we are currently looking to recruit a number of high calibre Associates to join our Corporate Banking, Investment Banking and Advisory Services divisions.

The three business divisions now require an influx of new Associates to strengthen their analytical teams and to provide a reservoir of future marketing officers. We are therefore looking to hire a number of Associates with the following skills:

- *Excellent educational qualifications, with a minimum of a 2i first degree.*
- *At least 2 years professional experience gained within a credit analysis, corporate finance or investment banking environment. Alternatively, you could be a recently qualified ACA.*
- *First class analytical and interpersonal skills, together with good PC literacy.*
- *Fluency in any European language would also be advantageous.*

We require candidates who can hit the ground running and rapidly become effective team members.

The salary packages will reflect the importance of these positions and will be commensurate with your experience.

If you fit the above criteria, and believe that you can succeed in this challenging environment, please contact our retained advisor JON VONK on 071-408 1312 or 071-720 1527 evenings/weekends at MARKS SATTIN, Financial Recruitment Consultants, 18 Hanover Street, London W1R 9HG

MERIDIAN

TRADER - CONVERTIBLE BOND DEPARTMENT
(Equities division)

Our client's London office is looking to fill this senior position and we require an individual who is highly experienced in the structuring, marketing, management and execution of equity transactions, including equity linked debt, synthetic securities and re-packaging.

Potential candidates will be expected to demonstrate familiarity with recent advances in the US and European Markets in the fields of equity, finance, swaps and derivatives, both public and OTC transactions, together with some background or experience in risk management and the trading of futures and options. An understanding of fixed income derivatives and/or asset swaps would also be an advantage.

Candidates should have a minimum of 5 years' experience in banking with at least one year at the rank of Vice President or other senior management level, together with a proven track record in the convertible bond market, and an ability to interact successfully with sales trading and banking personnel in a senior capacity as the successful candidate will be required to act as a senior representative of the bank's expanding efforts in this area. The ability to build a global team of professionals dedicated to servicing worldwide the bank's growing needs in structuring and origination is essential, as is the willingness to relocate in a foreign financial centre if necessary to strengthen the distribution of cross border equity products.

An extremely attractive salary and benefits package will be offered to the right candidate.

Please apply in writing to: **Emily Aldrich, Meridian, Museum House, 25 Museum Street, London WC1A 1JT**

Closing date for applications 26/11/93

RECRUITMENT CONSULTANTS

UNION BANK OF FINLAND
LONDON BRANCH
MONEY MARKET

Expansion within the Dealing Room of London Branch requires the appointment of two money market dealers to complement a highly successful team.

DEUTSCHE MARK DEALER
US DOLLAR DEALER

Both positions require individuals with specific knowledge and working experience of dealing with all short term instruments in the respective currency. While the emphasis will be off-balance sheet, creative management of the cash book will be an integral part of the function. This will include the use of futures, short term Interest Rate Swaps, arbitrage, F.R.A's and interest rate options.

Candidates will ideally have at least five years experience, a proven successful track record and be in their late twenties to early thirties.

The remuneration package will be competitive and accompanied by the usual range of fringe benefits.

In the first instance, written applications in confidence to:

David Britton, International Treasurer, Union Bank of Finland,
46 Cannon Street, London EC4N 6JJ.

SENIOR QUANTITATIVE ANALYST

FRANKFURT

Leading Global Bank

Our client, a world leading bank with excellent European Capital Markets Coverage, is looking to further enhance Quantitative Analysis and Strategic Services for their Pan European investor base.

This position requires a seasoned Capital Markets Quantitative Analyst, who will apply his/her expertise to the shaping of the Equity Products Group before contributing to the Fixed Income Division.

This initiative will require a dedicated professional with the developed methodology and a reputation based on past performance and success.

It is essential that the candidate has the ambition and motivation to structure a team that will take the bank's Quantitative Analysis and Strategic Services into the next century.

Although the initial location is Frankfurt, German language skill is not required as research is conducted and published in English.

Remuneration will be commensurate with the vital importance of this position to the bank's strategic development. An attractive package will include excellent salary, bonus, banking benefits and relocation expenses.

Enquires in confidence to **Philip Davidson at Nicholson International** (Search & Selection), Holzhausen Straße 44, 60322 Frankfurt Main, Germany: fax no: **(069) 596 3375**, or to **Matthew Hill at Nicholson International**, Africa House, 64 - 78 Kingsway, London WC2B 6AH, England: fax no: **(071) 404 8128**. Alternatively call first for an initial discussion on **(069) 59 80 39** for **Philip Davidson** or **(071) 404 5501** for **Matthew Hill**.

NICHOLSON INTERNATIONAL Germany

France Italy Holland Spain UK Belgium Turkey Poland Czech Republic

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Credit Analysis - Risk Management

Major International Bank

Competitive Salary + Banking Benefits — City Based

ING Bank is part of one of Europe's major financial institutions (ING Group), which has over 60 offices worldwide. ING Bank has well established operations in International Treasury & Capital Markets, Corporate Banking, Private Banking, Emerging Markets Banking and Asset Management.

As part of the continuing expansion of our London operations, we are seeking a Credit Analyst with a minimum of 3 years proven analysis experience gained within a major City-based banking institution. The position will involve the detailed analysis of corporates, counterparties and complex, structured transactions, with a view to producing credit applications in conjunction with the commercial areas of the Bank. Candidates will be expected to carry out industry analyses and comparisons as required.

The ability to use Lotus 123 and Wordperfect 5.1 will be especially useful as the role involves considerable use of PC's.

The successful candidate will be educated to at least "A"-Level standard and be highly motivated with the potential for further career enhancement.

A relevant professional qualification would also be an advantage.

If you feel that your skills and experience match the above, please write in confidence with a full CV, outlining current salary details to:

Lindsey Claydon, Assistant Manager Personnel,
Internationale Nederlanden Bank NV,
2 Copthall Avenue, London EC2R 7BD.

Applications to arrive by Monday 29 November 1993.

ING BANK

Global Money Markets

Economist £30-50k

Outstanding opportunity for an ambitious economist to apply wide-ranging analysis in support of proprietary trading decision-making.

The successful candidate will form the next stage in the evolution of a small team focused entirely on assisting in the formation of trading strategies for our Global Money Markets group. The ability to provide accurate and timely analysis in a very pressurised environment is essential. Verbal and written communication of material must be confident and decisive. Although London based, your analysis will be equally weighted to serving our centres in the Far East, New York and Europe.

Ideally you will have had at least 2 years experience gained within the City or a Government institution. High performance will be demanded and rewarded through discretionary bonuses and our flexible approach to remuneration and career progression.

Please send full CV and covering letter to:

Rowena Spence, Personnel Manager
Barclays Global Money Markets, Murray House,
1 Royal Mint Court, London EC3N 4HH

Barclays Global Money Markets

£13,500 + BONUS
INVESTMENT MANAGEMENT

Two numerate graduates required by U.S. investment manager. Entry level candidates will support day-to-day portfolio management operations including trade settlements, performance calculations and client assistance. Non-smokers please.

Send curriculum vitae with telephone number to:

Asserlada Advisors (UK) Limited
17a Curzon Street
London W1Y 7FE

Fixed Income Salesperson
Tokyo

A leading US securities firm in Tokyo requires qualified bilingual personnel (English/Japanese) with at least 3 years fixed income sales experience in Tokyo. Excellent working conditions

Call OIC (Executive Search)
81-3-3561-6411
or fax CV to
81-3-3561-6540

CREDIT ANALYSTS

£30-60,000 + Bonus + M/S + Banking Benefits

Banks/Other Financial Institutions and Corporates in United Kingdom, Scandinavia, Germany, France, Italy and Spain

1993 has brought to Jonathan Wren Executive a burst of exclusive assignments from major client banks, who require experienced senior, junior analysts and credit managers who are ready for that vital next career move. We are especially interested in candidates who can demonstrate particular credit experience and skills in corporate credit, bank analysis and analysis of other financial institutions including insurance companies, funds, etc.

If you are a graduate with formal credit training, knowledge of capital markets, derivatives, treasury products or corporate finance, project finance, ratings advisory and you are currently working for a major bank, either on a trading floor or for origination units.....

Send detailed CV to Ron Bradley Executive Recruitment Consultant.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

SENIOR CURRENCY BROKER

A senior currency option broker is required for a City based company. University degree preferred with five years plus market experience. An established Eastern European account base and a proven ability to expand new accounts in this area are a must. This position comes with an executive salary and benefits.

Please apply enclosing full details of your educational qualifications and previous experience to

PO Box B1907 Financial Times,
One Southwark Bridge, London SE1 9HL.

APPOINTMENTS WANTED

CONTROLLER

Chartered Accountant, 41, married, English and German, many years experience in Finance & Administration with international corporations, responsible for

- Financial and Management Accounting
- Credit & Collection and Treasury
- Sales Administration
- E.D.P.

Seeks Finance & Administration position in Germany with international corporation.
Replies are requested under Box B1912, Financial Times,
One Southwark Bridge, London SE1 9HL.

Major International Bank

Fund Managers

25-33

The City

Our Client, the Investment arm of a major International Bank has considerable funds under management in London and plans to expand this business rapidly.

The London Fund Management operation works in close concert with similar businesses in New York and Tokyo. The London office is responsible for the Global investment effort.

Our Client seeks people of a particularly high energy level who are competent technically and who have good communication skills. In the longer term there will be some exposure to Marketing.

Fixed Interest

The role envisaged is Global but with product emphasis on the $US. The skills sought are a combination of cash and bond experience plus the ability to use derivative products. Salary indicator to c.£60,000 plus bonus.

Equities

The product area will be Europe and the UK. Experience of Europe to date is important, as is exposure to a thorough training in, and awareness of, modern portfolio techniques.

Our Client is advanced technologically and will expect the person concerned to work within a structured framework. Knowledge of derivative products would again be an advantage. Salary indicator to c.£50,000.

In addition to generous salaries, there are merit bonuses, together with normal banking benefits. A high degree of involvement is sought and our client would expect enthusiasm and excellence.

Please contact James D'Arcy, the Company's Advisor in this matter at Overton Shirley & Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Tel: 071-248 0355. Fax: 071-489 1102.

OVERTON
SHIRLEY
& BARRY

INTERNATIONAL SEARCH AND SELECTION

GULF-BASED FINANCIAL ORGANIZATION

Invites applications for 2 SENIOR POSITIONS in its Treasury and Investments Department responsible for managing its asset portfolios (Money market & Govt. securities) denominated in US$, DEM, FRF, GBP and JPY. Applicants must be high calibre treasury professionals with proven experience and track record in the field. Both report to Department's Director.

Investment Consultant (Ref. I-01/93)

Main duties:

- To advise on the day to day treasury operations in the international financial markets, and on investment instruments, currencies, and maturities.
- To coordinate analytical and research work to fine-tune and adapt investment policies, guidelines, and develop implementable plans, strategies, and tactics for the short medium, and long terms to improve yield.
- To monitor, assess and report views on financial markets and developments and their incidence on the management investment portfolios.
- To supervise the preparation of periodic market comments and reports.

Requirements

AGED 40-50. Good command of oral and written English and a Degree in Finance or Business admin. from a reputable university a must. Extra professional qualification (eg CFA) is desirable. Proficiency in Arabic an edge. Experience: Min. 15 years including min. 5 years in senior related positions.

Chief, Studies and bank relations (Ref. I-02/93)

Main duties:

- To conduct regular financial markets and trends analysts and to submit reports for day to day decision making purposes.
- To monitor, analyse and report on main economic and financial outlook of the major industrialized economies indicators and currencies, interest rate trends, market expectations, bond market trends, and fixed income strategies.
- To interpret and report on yield curve forecasts and projected total returns, and on implications of economic and financial developments on the portfolios.
- To prepare specific research work on means to improve investment policies and guidelines, to establish and foster relationships with banking and financial institutions, and carry out bank evaluations for fixing dealing limits.

Requirements

AGED 35-45. Writing ability in both Arabic and English and a Degree in Finance, Business administration, or Economics from a reputable university a must. Extra professional qualification (eg CFA) is desirable. Experience: Min. 10 years including min. 5 years in senior related positions.

For both positions attractive package of tax free salary and expat. fringe benefits is offered. Send detailed Resumes in confidentiality with Ref. No. on envelope to: The Personnel Manager, P.O. Box 71401, Abu Dhabi, United Arab Emirates.

MONEY BROKING - LUXEMBOURG

A major expansion programme by PREBON YAMANE (LUXEMBOURG) SA, established in Luxembourg for over 20 years, and a member of the PREBON YAMANE international money and securities broking group, has led to attractive career opportunities for experienced brokers/principals who are interested in a rare opportunity to join a highly professional money broking team in the heart of Europe.

FOREIGN EXCHANGE

With a well established reputation in Scandinavian currency forwards, rapid expansion is currently taking place in non-Scandinavian currency forwards. Experienced dealers (2/3 years minimum) are invited to participate in this major development.

CAPITAL MARKETS/DERIVATIVES

With several years experience as a multicurrency broker in IRS, Swaptions, Caps, Floors, Fras, Cross-currency Swaps, and more recently Interest Rate Bond Options, additional experienced dealers (minimum 2/3 years) are sought to complement this highly motivated and established team.

Excellent terms are available to the right candidates.

Interested parties should write to Michael Young (Managing Director), Peter Svensson (Director, Foreign Exchange), James Egerton (Manager, Capital Markets/Derivatives) at 25, Rue Notre Dame, L-2240, Luxembourg or telephone (352) 229228.

All enquiries will be treated in strictest confidence.

USA EQUITY ANALYST

With the continued global expansion of this European Investment House, an opportunity now exists for an ambitious team player, of graduate calibre, who can demonstrate a successful track record of between 2 and 5 years analysing both large and medium sized USA Equities

As part of this small but highly professional team, the selected candidate will be responsible for initiating all the investment decisions, provide in-depth USA Stock analysis and have regular Broker and Client contact. The position will also involve some travel to the USA.

Excellent career prospects and a performance related renumeration package is on offer for the successful candidate. Age 23 - 28.

For further details please call Mike Blundell Jones on 071 404 6292 or write to Absolute Recruitment Ltd., Staple Inn Buildings North, High Holborn, London WC1V 7PZ Fax: 071 404 6275

ABSOLUTE RECRUITMENT

BEAR STEARNS

Credit Manager

Bear Stearns, a major United States broker/dealer, seeks a Credit Manager in its Hong Kong office. Responsibilities include assessing counterparty creditworthiness on an on-going basis and acting as liaison between traders and salespeople based in the Far East and credit personnel in New York.

The successful candidate ideally will have 10+ years banking experience in the Far East plus a post-baccalaureate degree in international finance or economics. Specifically, experience with derivative capital markets products is required. Excellent English communications skills are essential, and other language abilities would be considered a valuable asset.

Bear Stearns offers a competitive compensation and benefits package. Interested candidates should send their c.v. and remuneration requirements in confidence to:

Mrs. Lois S. Fine
Managing Director
Bear, Stearns & Co. Inc.
245 Park Avenue
New York, New York 10167

Equal Opportunity Employer M/F

TRADE FINANCE - FORFAITING

The rapidly expanding merchant banking subsidiary of a long established and highly profitable international banking group requires additional senior trade finance executives to strengthen the existing team.

Based in London, but linking in with an office in Hong Kong, applicants will be expected to demonstrate acute market awareness, as well as excellent business development and management skills.

Thorough experience in all aspects of trade financing, but particularly in forfaiting, is essential and additional languages would be an advantage.

Ambitious, highly motivated, lateral thinker able to play leading role in developing the existing business to the next level.

Highly attractive remuneration package to include full banking benefits available for the right candidates. Team move considered.

Please reply in strictest confidence to PO Box No B1909, Financial Times, One Southwark Bridge, London SE1 9HL.

LSE

The London School of Economics and Political Science
LSE Foundation
ASSISTANT DIRECTOR - FUNDRAISING

The LSE Foundation was established in January 1993 as the LSE's permanent development arm. It is preparing a fundraising campaign, 'the Second Century Campaign', with a provisional target of £40 million, and with the aim of safeguarding and developing the School's high international standing as a leading educational and intellectual institution.

A senior fundraiser, with experience, flair, and a proven record of achievement, is sought to lead and motivate the fundraising team, currently five strong. Motivational and management skills are essential to the post as well as personal skills and qualities. Responsibility for one area of major gifts fundraising will form an essential aspect of the post.

The successful applicant will be an integral part of the senior management team, reporting directly to the Director of the LSE Foundation.

A top salary is offered commensurate with experience and achievement. Please apply for further particulars to the Staffing Office, London School of Economics and Political Science Houghton Street, London WC2A 2AE. Applicants are welcome, without obligation, to enclose a CV at this stage.

Closing date for applications is 6 December 1993.

INSTITUTIONAL DEALERS
DUBLIN

A new Venture with Institutional backing based in Dublin, requires proven and experienced Institutional salesperson. The remuneration package available to the successful candidates is substantial.

Please apply by writing to:

Box B1906, Financial Times, One Southwark Bridge, London SE1 9HL

CAL FUTURES LIMITED

CAL
MEMBER SFA

Are you restricted by large company mentality? If you are looking for a challenging and rewarding career in financial futures, foreign exchange or fund management and have a minimum of two years experience, call Mr. Baber on 071-329 3333 or send your curriculum vitae to:

CAL Futures Limited, 162 Queen Victoria Street, London EC4V 4BS.

OIL BROKER

TULLETT & TOKYO INTERNATIONAL SECURITIES LIMITED

Tullett & Tokyo Forex International Limited is one of the largest interdealer-brokers, with an extensive global network of offices. We seek individuals with good knowledge of the oil industry to join our Commodity Derivatives team.

The ideal candidate should have extensive experience using Oil Derivatives and will be computer literate and numerate. Successful candidates will be good communicators with strong interpersonal skills.

Salary and benefits are negotiable. Please apply in writing enclosing full C.V. to:

Douglas Welch, Director
Tullett & Tokyo International Securities Limited,
Cable House, 54-62 New Broad Street, London EC2M 1JJ.
Fax: 071-827 2408.

PORTFOLIO MANAGEMENT

Central London
Competitive salary + car

A major blue-chip company, our client currently has two opportunities for assistant portfolio managers within its £multi-billion in-house pension fund management team.

UK equities

Involved in the active management of part of a £4.5 billion equity portfolio, you will carry out stock selection and contribute to UK sector strategy as well as assist in market forecasts for asset allocation purposes.

Probably in your mid-20s with three years' experience in equity markets, you should possess a sound knowledge of company accounts analysis and equity valuation techniques. Reference: **T/5095/FT.**

Fixed interest

Responsible for the active management of part of a £800 million portfolio covering gilts, sterling bonds, index-linked gilts and international bonds, you will contribute your views on interest rates, currency rates and yield-curve changes. You will also be involved in running the pension fund's short-term money positions and conducting currency transactions to facilitate settlements.

Ideally in your mid-20s with three years' experience of working in fixed-interest markets, you should have sound knowledge of financial economics and bond market practices. Reference: **T/5096/FT.**

For both positions a degree is desirable preferably with Associate Membership of the IIMR or a similar professional qualification. Ambitious and highly motivated, you must be able to accept high levels of responsibility at an early stage.

In addition to a competitive salary and car, a generous benefits package will be offered.

To apply, please write with cv by 1 December 1993, quoting the appropriate reference, which will be forwarded to our client unopened. Address to our Security Manager if listing companies to whom your application should not be sent.

PA Consulting Group, Advertising and Communications,
123 Buckingham Palace Road, London SW1W 9SR. Fax: 071-333 5050.

PA Consulting Group
Creating Business Advantage

Executive Recruitment · Human Resource Consultancy · Advertising and Communications

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CURRENCY/FIXED INCOME DEALER

INVESTMENT MANAGEMENT

We represent an International Investment House who has some £14bn under management, a substantial proportion in Fixed Income and currency overlay.

Our client is looking for an individual to take responsibility for currency overlay accounts and the execution of trades driven by proprietary trading models. In addition, the individual will be expected to provide and execute speculative currency positions on behalf of the Active Fixed Income Group.

Candidates must have an in-depth knowledge of foreign exchange markets, and have a disciplined approach to the investment process. In addition to 3-5 years trading experience, candidates should have a comprehensive understanding of the Securities and Derivative Markets, and be computer literate.

This challenging and demanding role presents a unique opportunity for an individual, perhaps mid to late 20's, wishing to develop their career in Investment Management.

For a confidential discussion please contact Patrick Morrissey or Tim Sheffield on Telephone: 071-236 2400. Fax: 071-236 0316 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

FUND MANAGEMENT

We are continuing to see excellent opportunities for high calibre institutional Fund Managers. Our clients are seeking those with expertise in the following markets:

UK EQUITIES
SE ASIA EQUITIES
EUROPEAN EQUITIES
EMERGING MARKETS
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ACCOUNTANCY COLUMN

Putting finance directors in a larger frame

Geoffrey Owen on why a traditional accountancy background may no longer be enough for a complex job

NEW PRESSURES are transforming the finance directors of British companies from aloof and authoritarian figures into executives with different abilities and approaches – and, in the process, raising questions about the traditional dominance of the job by accountants.

One set of pressures is the shifting balance from finance director as controller to businessman, from scorekeeper to commercial operator. Where once there was a specialist fiefdom, there are signs that barriers between finance and other parts of the business are breaking down. The finance director is becoming a team player, more a general manager than a technical expert.

On the other hand, recent changes in accounting standards and in corporate governance – partly linked to the Cadbury Report – are re-emphasising the finance director's status as watchdog and corporate policeman. Non-executive directors, newly conscious of their monitoring duties and more visible to the outside world, look to the finance director for technical guidance.

At the same time, some of the activities for which he or she is responsible, such as treasury and foreign exchange, have become much more complicated. The finance director has to have a firm grasp of the sophisticated techniques of risk management.

Another source of pressure, especially for large companies, is the growing emphasis on external communications. While the importance of investor relations is not new, large institutions are probing more deeply into the companies in which they hold substantial stakes. The finance director is closely involved in maintaining these relationships.

The increasingly demanding nature of the job is one of the themes which emerges from a survey of finance directors carried out by Professor Peter Abell, Mike Cranna and myself at the London School of Economics, and sponsored by the Financial Executives Group of the Board for Chartered Accountants in Business*.

There is no disagreement about the weight of the job in corporate decision-making. In most companies, the finance director has a closer relationship with the chief executive than any other board member. For investors in a company, the appointment of a new finance director is an important event. For the chief executive, it is vital that the qualifications of the new incumbent should fit the job that needs to be done.

The requirements of the job vary according to the nature of the business. The finance director generally has a larger influence in diversified groups, where he or she provides a counter-weight to the heads of the operating companies, than in single-industry businesses where technical and marketing factors are central. There is a difference between the skills needed in a company in the throes of restructuring and those in a more stable environment.

Nevertheless, the survey highlights a move away from a dominant concern with financial reporting and control towards broader business responsibilities. As one respondent put it, the finance director "has to understand the company's strengths and weaknesses and shift from reporting history to driving the need for change throughout the organisation".

There is stress on the effectiveness of operations in all aspects, with non-financial measures being given greater weight. The director of a German-owned company said German finance directors tend to have a deep understanding of the product and the customer, in contrast to the more detached stance of their traditional British counterparts.

The need for an open, participative style was stressed. The finance director has to "de-mystify the numbers". With the wider accessibility of management information and the greater numeracy of departmental managers, the finance director "is no longer the sole keeper of knowledge" and "will need the skills of an orchestra conductor or theatre director more than those of a regimental commander".

The five most important skills mentioned for the future were: knowledge of information technology, personnel management, strategic planning, marketing and general management. Experience outside finance was considered important, perhaps essential. "Finance directors are sometimes too remote from the sharp end; a spell in line management has a humbling effect and creates a common bond with colleagues".

A majority agreed that finance directors would become more entrepreneurial. While there were some warning voices, the consensus was that the finance director should not be a technical specialist standing apart from operations, but "a highly motivated team member dedicated to growing the company".

Given those changes, is accountancy training still the best starting point? Most finance directors of large British companies are chartered accountants by background, but there is concern about the inroads being made by masters of business administration (MBAs) and by other accountancy qualifications.

A majority of the chartered accountant-trained finance directors thought their training was appropriate (though critical of parts of it), but a sizeable minority took a different view. This latter group emphasised the irrelevance of much of their training for the world of business and industry. "Unless the training changes," one respondent said, "chief executives will decide that the key aspects of the job are more closely matched by other qualifications; finance directors will have accountants working for them in the same way as tax or treasury specialists, but the high ground will have been lost to MBAs."

Not surprisingly, some of the MBAs in our survey felt that an accountancy background was irrelevant for a finance director as long as there was a good core of accounting expertise in the finance function. "Accounting skills in the traditional sense represent an increasingly small proportion of the finance director's duties".

On the other side of the fence were the hard-line accountants who saw no merit in MBAs: "The MBA doesn't provide enough training in monitoring and control".

If there was a common strand, it was the need to combine the best of both worlds. "The accountant's ability to spot inconsistencies in numbers is a vital counterpoint to the MBA's strategic management thinking"; "The best route is accountancy plus an MBA, with broad management experience".

Many finance directors who had trained as accountants insisted that their time in the profession had given them a feel for figures, a professional discipline and an objectivity which were immensely valuable.

The sense of many responses was captured by the comment that the "finance director will play a bigger role in managing change, especially by being involved in the restructuring of businesses to make them more flexible and more responsive to customers". To make this contribution, the finance director needed to have an entrepreneurial approach, but without losing the financial control skills which remain at the heart of the job.

The accountancy profession can no longer take it for granted that this watchdog/entrepreneur role is best performed by accountants. If the profession is to maintain its dominance among senior finance directors, it has to take note of the changing nature of the job and, like the finance department itself, open itself out to different skills and disciplines.

** Sir Geoffrey Owen, former editor of the FT, is a programme director at the Centre for Economic Performance, London School of Economics. The report will be available from mid-December from Karena Wright, Chartered Accountants Hall, Moorgate Place, London EC2P 2BJ.*

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Part of Brent International PLC, Brent Europe is a leading supplier of chemicals in metal pretreatment, aerospace and ground transport cleaning and maintenance, and non-destructive testing.

This is a senior position reporting to the Managing Director. Responsibilities for this demanding, hands-on-role, will include control of all financial and management reporting, implementation of improved MIS and IT systems, and a major role in the strategic and business planning process.

Successful candidates will be qualified accountants with an MBA and accounting management experience. If you are a strong team player with natural leadership abilities please send your cv to:

BRENT

Elizabeth Chiles, Brent Europe Ltd
Ridgeway, Iver, Bucks, SL0 9JJ

Financial Controller

South West

To £35k + car + benefits

Our Client is an energetic retail and service group with operating sites throughout the South and West of England. In preparation for planned future growth they are now seeking an ambitious, qualified accountant to take up the new role of Financial Controller.

The role requires an individual with strong technical skills coupled with broad commercial exposure. Responsibilities will include all financial and administrative duties with especial emphasis on stringent financial controls, further development of management information systems and provision of strategic financial advice to the management team.

The successful candidate will be a graduate calibre, qualified accountant with post qualification experience gained in a commercial environment. Strong interpersonal skills together with a flexible approach and the ability to interact at all levels are essential requirements.

This role represents an opportunity to join a creative and dynamic management team at a crucial period of the company's development. Interested candidates should forward their full career details to Karen Paige, KPMG Selection and Search, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone (0272) 464000.

KPMG Selection & Search

Central Hispano Leasing Limited

CHIEF ACCOUNTANT

North Surrey **c. £35,000 Package**

Central Hispano Leasing Limited is the UK leasing subsidiary of the Banco Central Hispanoamericano Group, Spain's largest commercial banking institution, with a strong profile in European vendor programmes.

Reporting to the Financial Controller, you will demonstrate a thorough understanding of accounting procedures and controls, combined with the ability to supervise and develop a small team of staff. Key responsibilities will include financial and management reporting, budgetary control and the enhancement of financial systems.

The successful candidate is likely to be in their late 20's, ACA/ACCA qualified, with a minimum of two years post qualification experience, preferably in a related sector. You must have strong presentation skills and display a high level of commitment to, and enthusiasm for, the development of this expanding company.

MORGAN CHASE
ASSET FINANCE & LEASING RECRUITMENT CONSULTANTS

Interested candidates should write including full Curriculum Vitae to our consultant, Matthew Winfield at Morgan Chase, 114-116 Charing Cross Road, London WC2H 0JR or telephone him on (071) 240 0606.

The Top Opportunities Section
appears every Wednesday.
For advertising information call:
Clare Peasnell 071 873 4027

Accountant

Central London ***c.£27,000 + Car + Bonus***

▪ Trading in a high value essential commodity, our client derives significant success from a multiplicity of complex, international trading transactions, including the physical transportation and distribution of stocks. The London office, which employs some 12 people, is at the centre of our client's international trading activities.

▪ This is a challenging opportunity to be involved in all aspects of the day-to-day accounting controls. With a personal responsibility for the provision of statutory, inter-company and management accounts, you will assist in the development of accounting systems, the improvement of management information and the development of controls. Additionally, you will have the opportunity to become involved in the Operations side of the business.

▪ To be considered you will need to be a commercially aware, qualified accountant, probably aged under 30. Experience of working in a trading environment will be advantageous as will knowledge of either Spanish or Portuguese. The ability to fit into a small team will be essential.

▪ Please send your curriculum vitae and current salary details to Nicolas Mabin, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting ref: NM492.

ERNST & YOUNG

EUROPEAN FINANCIAL APPOINTMENTS

£35K to £100K plus

We are handling a number of European Financial Management appointments, all with multinational corporations.

The search is for graduate qualified accountants/MBAs with international experience and fluency in one or more European languages as well as English. Knowledge of US GAAP and previous experience in industry would be advantageous.

The appointments are in various sectors and range from Computer Audit positions and Plant Controllerships up to Group Financial and Commercial Directorships.

We would expect candidates to be aged between 28 and 45, dependent upon experience.

If you are interested in these appointments or would like to be kept informed of future ones as they arise, then write with your CV quoting ref 3090 to John Evans TD FCA, or Stuart Adamson FCA, Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY, England. Telephone (0532) 451212. Fax: (0532) 420802.

ADAMSON & PARTNERS LTD.

International Recruitment Consultants

Bankers Trust Company

OPPORTUNITIES IN DERIVATIVES OPERATIONS/ACCOUNTING

Bankers Trust is pre-eminent in the creation, trading and distribution of securities and derivative products globally, and a leader in risk management. *Voted best at origination for the fourth straight year by 'Swaps Monitor', and a record third quarter earnings (87% higher than a year ago) demonstrates our creativity and persistence in gaining broad recognition and producing superior results.*

The Positions

Rapid growth within our Derivative Products Operations group has led to a number of opportunities for high profile positions within these areas:

- Trade Support
- Project Management
- Accounting and Control
- Settlements - Exchange traded and OTC
- Documentation

Providing comprehensive support for the full range of derivative and security products including IR Swaps, Exotic Swaps, Currency Options, Equities, Insurance and Credit Derivatives.

The People – *"Our success is based on our people"*.

Applications are welcomed from individuals who have the ability, personality and motivation to be successful in our dynamic, fast paced and demanding environment. From graduates with general finance/derivatives exposure of at least 1 year, to senior derivative professionals with up to 5 years' banking experience, you will be:

- Numerical and analytical
- MBA or accountancy qualified, consulting and project management experience also advantageous
- Able to work under pressure without sacrificing quality
- A team player with excellent communication and interpersonal skills
- Flexible and creative

Interested applicants who satisfy the qualities and qualifications we are looking for should call **Tony Barnes** on 071 379 3333 (fax 071 915 8714), or write to him enclosing a detailed CV at **Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP.**

ROBERT WALTERS ASSOCIATES

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hager

distribution boards and enclosures / connection, termination / protection / switching and indication / comfort and energy management / surveillance and communication

join a leading pan-european company

Yesterday we were pioneers in modular electrical appliances. Today we are at the forefront of systems for intelligent buildings. We are a company with 3,800 employees and 12 offices in Europe. Our turnover is 2,6 billion French francs, it is growing by more than 15% per year, and we are making excellent profits. We are looking for

2 International Financial Controllers

One will assist the Chief Financial Officer who manages holding activities as well as the German speaking countries and Northern Europe. He will be based near Saarbrücken in Germany. The other one will be responsible for English speaking countries and South-east Asia and will be based near Strasbourg in France. Both will be responsible for all aspects of the financial reporting and management of subsidiaries. We are looking for candidates who are European in outlook as well as in nationality and who can speak and write German and English fluently. French would also be an advantage. They should have a high level of financial training together with appropriate professional qualifications : a minimum of 3 to 5 years' postqualification experience within a major international audit firm and/or in financial control in an Anglo-American industrial company.

The two jobs offer considerable scope for growth and competitive remuneration packages for outstanding candidates who are prepared to travel and relocate.

Please send a detailed CV, quoting ref. 372/FT H130.
First interviews will be held in appropriate European locations.

COMMUNIQUE
50/54 rue de Silly
92513 BOULOGNE
BILL. Cedex - France

Finance Manager

CITY **c£40,000 + CAR + BENEFITS**

Our client, a London Based PLC, supplies a range of services on a global scale to news media and the financial community. This dynamic company is the world leader in this field through the use of latest technology which makes the service indispensable for modern day businesses.

The position reports directly to the head of a core divisional business. It provides an excellent opportunity for a commercially oriented finance professional to manage a team of 10 and drive through the process of change. Emphasis is on team spirit, quick results, commercial flair and the ability to communicate accurately and effectively.

In this dynamic and rapidly changing environment the candidate is expected to respond by creating commercial and financial solutions in close co-operation with Sales and Technical Managers.

The successful candidate will be a qualified accountant aged 28-35, with a large company background. Systems knowledge and the optimal use of computers are important requirements in order to integrate and present complex financial data to management. Intellectual curiosity as well as hands on ability to implement strategic decisions are also essential.

Interested applicants should write with a detailed CV, including details of current remuneration to Kean August at the address below. Please indicate any companies to whom you do not wish your CV to be forwarded.

Alderwick Peachell
& PARTNERS LTD

Alderwick Peachell & Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.

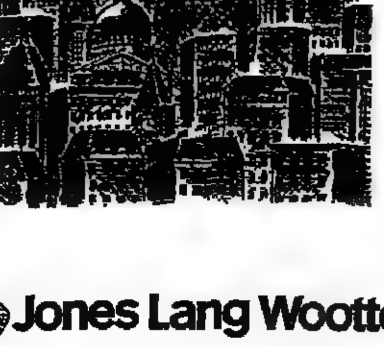
Head of Property Accounting

Take a new direction in property accounting

Jones Lang Wootton is an internationally renowned firm of chartered surveyors and real estate consultants. Innovation and adaptability have long been the hallmarks of our success, sustaining our command of the world market throughout the most challenging trading times. Now we are leading a fundamental change in Property Accounting which reflects our commitment to this increasingly important operational area.

Our service to owners and occupiers - including income collection and technical and insurance services - already goes far beyond that of the traditional managing agent. However, changing client needs have given us the opportunity to provide an even better service. We are now seeking an individual capable of articulating and implementing the changes needed to achieve it.

Heading an accounting team of some 50 professional and support staff - in possibly the most senior role of its kind in the industry - you will be the instigator and manager of change in this fast paced, high pressure



environment. Leading the development of 'value added' accounting and financial services, you will also enjoy a high level of direct contact with clients.

A Chartered Accountant experienced in change- and line-management, you will have operated at a senior level in a large corporate environment. Strong leadership and interpersonal skills will be supported by the ability to deliver effective, pragmatic solutions. Knowledge of accounting within the property industry would be an advantage. To have the necessary level of experience, you are likely to be aged at least in your late 30s.

An attractive salary and benefits package, including a car and bonus, applies to this senior position.

Please write, enclosing your cv and stating your salary expectations, to Caroline Latham, Director of Human Resources, Jones Lang Wootton, 22 Hanover Square, London W1A 2BN. The closing date for the receipt of applications is 3 December 1993.

Jones Lang Wootton

TREASURER

West Yorkshire **c £40,000 + Bonus + Car**

A leading personal financial services group with a turnover of c£400m and major interests in consumer credit and insurance is looking to fill this senior management position with a candidate of the highest calibre and integrity who already has experience of managing a Treasury function and a proven record of maintaining and developing banking relationships.

Working within a small, highly professional Head Office team reporting to the Finance Director, your overall brief will be to maintain adequate funding for the group, implement interest rate hedging strategies and monitor the management of fixed interest investments.

Probably 30/35, the ideal candidate will be a graduate ACA who possesses or is studying for an ACT qualification. You will have at least three years' relevant experience of managing banking relationships, using interest rate hedging products and negotiating all associated documentation. Ideally, you will have experience of managing fixed interest investments and a good knowledge of corporation tax.

You will have good presentation and negotiation skills, the confidence and presence needed to develop professional relationships at a senior level and will be capable of progressing into a general financial management role in due course.

The package available is comprehensive and there is potential for career development within the group.

Please write, enclosing comprehensive CV, to Barry Eccles, Barnes Kavelle Limited, Human Resource Consultancy, Cavendish House, Queen Street, Mirfield, West Yorkshire WF14 8AH. Please quote ref 3182.

RECRUITING **BARNES KAVELLE** EXCELLENCE

NB POWER

to need ... to proceed.
In the Ukraine, unable and ... Electricité de France, told the ...

FINANCE DIRECTOR

City Solicitors **c £80,000**

This City-based legal firm is a long-established, major name in international, corporate and commercial law. The firm is international and offers a broad range of services. It prides itself on an open culture and commitment to high quality people.

The position, reporting to the Managing Partner, is high profile with responsibility for the overall financial guidance of the firm. The individual will be expected to provide strategic financial input to ensure the successful future development of the partnership. Taking an active part in the day-to-day management of the firm, currently with 20 staff reporting, the incumbent must ensure the financial controls and management information systems are appropriate for the firm's needs and are rigorously enforced.

In order to establish yourself in this role, you will need a hands-on approach, yet an authoritative and persuasive style.

You should be a graduate chartered accountant, able to demonstrate an exceptional track record, preferably in a service oriented environment. You should also have experience of both instigating and managing change. Strong communication skills and the ability to earn and maintain the respect of both partners and staff are vital. An appreciation of the structure and workings of a partnership is essential, although direct partnership experience is not important.

If you feel equal to this demanding role, please send a CV, together with you current salary package quoting reference 3338 to Bruce McKay, Touche Ross Executive Selection, at the address below.

Touche Ross

MANAGEMENT CONSULTANTS

Hill House, 1 Little New Street, London EC4A 3TR.

FMS

FINANCIAL SEARCH & SELECTION SPECIALISTS

FINANCIAL CONTROLLER
Major European Venture

Formed by three of Europe's leading rail, freight and distribution organisations, our client is poised to capitalise on the international freight transportation market created by the opening of the Channel Tunnel in 1994.

As a result, a superb opportunity has arisen for a highly motivated and credible individual to join this innovative venture as Financial Controller. Reporting to the Managing Director, you will have full responsibility for the financial control and reporting of the business.

Additionally, you will be heavily involved in the commercial development of the business which will necessitate working closely with the Operational Management team as well as the MD.

Leading a small team you will be responsible for:

- The establishment and ongoing development of all aspects of financial control and reporting (including the implementation of a fully computerised system).
- The preparation of all periodic reporting to tight deadlines providing analysis on key issues and recommending appropriate actions.
- All aspects of budgeting, forecasting and long term planning.
- Cash and Treasury Management (including liaison with the Company's Banks).

As a qualified Accountant with broad post qualification financial management experience you will be a practical and energetic individual with the following key personal qualities:

- Self starter with real business flair and commercial awareness.
- A good team player who will integrate easily into this truly Pan-European growth environment.
- The ability to influence and negotiate effectively at all levels.
- Experience of the specification and implementation of computerised systems would be highly desirable.

A second language (preferably French) would be an advantage but is not essential.

This is an excellent opportunity for an accountant seeking a new challenge within a rapid growth area. Interested individuals should write to Dawn White at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY, enclosing a recent CV and a note of current salary.

A MEMBER OF THE PSD GROUP

THAMES VALLEY

£35-40,000 PLUS CAR

Coopers & Lybrand

IT AND FINANCE PROFESSIONALS FOR INSURANCE AND INVESTMENT MANAGEMENT CONSULTANCY

However similar the issues appear, no two projects are the same

The assignments our consultants undertake, much like an individual's DNA strands, can be unique and highly complex. Typically, these assignments are also vital to our clients' success.

At Coopers & Lybrand, one of the UK's leading firms of accountants and management consultants, this is as true of our Insurance and Investment Management team as it is of any other area of our activities.

As a key member of our team working in this sector, you will focus on a single aim: to better the performance of our clients. This will require not only in-depth professional knowledge, but also the ability to communicate this expertise so that your advice can initiate lasting change.

A graduate with substantial experience in IT or finance within the insurance and investment management industries, you are able to analyse clients' problems and produce solutions which are both well reasoned and practical. As an IT professional, you will probably have experience of strategic planning, project management or systems evaluation; while as a finance professional, ideally with a professional qualification, you may have been involved in financial appraisal, developing management information, activity-based cost management and financial systems.

Whichever background you come from, with us you will be typically involved in an average of five projects a year for major UK and international companies.

Our project teams are structured to address each particular client challenge and often demand the involvement of a range of disciplines. As a result they offer a stimulating environment where staff can develop a broader commercial vision. Consequently, a diverse and continually rewarding career is assured. In addition, you will enjoy a competitive remuneration package reflecting both your experience and potential.

If you feel you can add to the strength of our team, please write with full career and salary details to Jenny Penwarden, Coopers & Lybrand, Plumtree Court, London EC4A 4HT, quoting ref. FT60 on both envelope and letter.

Solutions for Business

Outstanding Young Treasury Professional

London **c £50,000 + Bonus + Car**

Our client is one of the world's leading FMCG companies; globally dominant in its chosen markets and a household name in every sense. Substantial organic growth and a major investment in strategic acquisitions have created a portfolio of international and local consumer brands which generates European revenues in excess of $1.3bn.

This role will provide specialist expertise in international financing and cash management, with emphasis on optimising the financial resourcing of all subsidiary companies in the Europe/Middle East/Africa region. The key requirement will be to work with the operating subsidiary finance managers, both in the context of achieving effective financing arrangements for existing businesses and in providing innovative financial support for major investment proposals/new business ventures. There will be significant interaction with Corporate Tax and Legal functions, both in the UK and in the USA, and substantial liaison with external finance providers.

Candidates, aged up to 33, should have an excellent academic background and a strong track record of commercial success, including at least 3 years experience in the international treasury function of a major corporate. Outstanding interpersonal skills, strong achievement orientation and international mobility will ensure rapid career development in a financial and/or general management context. Opportunities will be limited only by the capabilities of the successful candidate.

Comprehensive relocation facilities are available where appropriate and interested applicants should forward a comprehensive CV, quoting ref: 169810, to Alan Dickinson FCMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance

Specialists in Financial Recruitment

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

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Manager Finance and Administration

London **c £35,000 + Car + Benefits**

Our client is an entrepreneurial marketing services and publishing group which, through its innovative approach and on-going investment in research and product development, has sustained an impressive pattern of growth. With operations in 12 countries worldwide, the group has ambitious plans for further expansion.

As a result of internal reorganisation, an outstanding opportunity has arisen for an ambitious qualified accountant to form an integral part of the management team.

Rapidly demonstrating a keen understanding of the business you will provide crucial support to the Managing Director in the production of key management information in the form of monthly management accounts, variance analysis reporting and flash forecasts. The role is extremely wide ranging requiring strong technical accounting skills, together with an awareness of company secretarial, cash management and general administration issues.

The successful candidate will be a qualified accountant aged 32-36, with several years post qualification experience gained within a service oriented business. Significant liaison will be required with external advisors and other senior management throughout the group, therefore, strong interpersonal skills, maturity and a flexible approach will be essential.

Interested candidates should forward a detailed CV together with details of their current remuneration to Nigel Milford at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting ref. 169712.

Michael Page Finance

Specialists in Financial Recruitment

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

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Coopers & Lybrand

ACCOUNTANTS IN INSURANCE

An expanding practice that gives you scope to progress.

Coopers & Lybrand's insurance practice has been exceptionally successful in winning the most interesting and challenging insurance assignments, largely because we have a team of people with outstanding expertise in this field. The expansion of the practice has created a number of opportunities in our London office - roles with considerable scope for career progression, both in the UK and overseas.

You'll be closely involved in special assignments such as due diligence and other corporate finance work as well as audits. As one of the world's leading firms of chartered accountants and management consultants, Coopers & Lybrand provides solutions on a global scale. There will therefore be an international dimension to your work, and this could involve foreign travel.

A qualified Accountant, either in professional practice or in commerce, you'll need at least 2 years' post-qualification experience, including a thorough grounding in auditing and the insurance industry.

The diversity of the work and unusual nature of many of our assignments demand a breadth of business understanding that goes beyond a mastery of technical detail. You must be able to provide broad-ranging business advice, and to communicate that advice effectively. This will involve extensive client contact and report-writing - often to tight deadlines.

You must also demonstrate an ability to keep up with the constant changes in the insurance industry and a strong commitment to developing your expertise in the field.

Your rewards will be of a level you would expect from a leading international firm of chartered accountants and management consultants. Please call Amanda Phillips on 071 212 4084 for an application form.

Solutions for Business

FINANCE DIRECTOR

c.£50,000 + CAR — SOUTHERN ENGLAND

Our Client is a major £150m plus turnover subsidiary of a quoted British PLC, with group revenues exceeding £1 Billion. The business is a third party distribution company, providing a high frequency and quality service to the major multiple retail sector.

The company wish to appoint a Finance Director, to drive forward the key performance issues relating to financial/commercial objectives. These include optimization of contract profitability, evaluation of key customers strategic direction and the commercial response to market developments.

Reporting to the Managing Director, the appointee will manage the provision of all financial services and systems for the control and development of the business. Strategic planning and group reporting to the highest standards are equally critical elements of the role.

Candidates must be qualified accountants with strong commercial instincts and the proven potential to progress to a general management role. Total competence in managing the financial process is prerequisite.

Applicants should have Financial Director level experience, operating in the distribution or transport related sector, although an FMCG/Retail background will be relevant.

The company and group offer an excellent career opportunity and stimulating management environment. The remuneration package is very competitive, and will include a performance element in addition to basic salary and a range of senior level executive benefits.

Interested applicants should write, enclosing career details to John Sheldrake at JOHN SHELDRAKE ASSOCIATES, 47 High Street, Little Abington, Cambridge CB1 6BG. Tel: 0223 893910 Fax: 0223 893901.

John Sheldrake Associates
Executive Search & Selection

FINANCIAL CONTROLLER C24K
NR CROYDON

Logix (UK) Ltd is an expanding computer distributor with £1.5m turnover and part of the £28 billion Lucky Goldstar Group. We require a dynamic Financial Controller to occupy a key management position in both an operational and strategic role. Experience in computerised accounts essential.

Phone 081-763 2888.

FINANCE DIRECTOR
PHILIP WILSON PUBLISHERS LIMITED

C London **c. £35,000**

A Finance Director is required for this independent publishing house and owner of the Zwemmer bookshop chain which has a turnover in excess of £5m.

Working as part of a small management team you will be aged around 30 with proven commercial experience, computer literate and a hands-on approach.

Controlling a small accounts team you will be responsible for the development and implementation of tight financial disciplines as well as the usual management accounts, cash flows, budgets and statutory reporting.

Please write with full CV, including salary history and daytime telephone number, to Box B1901, Financial Times, One Southwark Bridge, London SE1 9HL.

QUALIFIED ACCOUNTANTS

Saudi Arabia

c. £30,000 pa Tax Free + Benefits

Positions exist for suitably qualified accountants to work in Saudi Arabia. The responsibilities of the positions fall into two areas as follows:

1. Management Accountants - Management Accounting, Budgeting, Computer System Development, Internal Audit.
2. Treasurer - Cash Management, Cash planning, Bank Liaison.

The successful applicants will ideally be under 40 years of age, computer literate and have experience gained in a healthcare environment. A working knowledge of Arabic would be a distinct advantage. Candidates should apply, enclosing a full CV, to:

Roger Coulson,
FT5, UME Limited
21 Manchester Square,
London W1M 5AP

GROUP FINANCIAL CONTROLLER

SOUTH BUCKS — **£35-40,000 + CAR**

Our client, a quoted plc with subsidiaries in several countries, is a market leader in manufacturing and supplying for world markets. The pace of growth in recent years through acquisitions and organic expansion, has resulted in the need for a high calibre, technically strong Group Financial Controller.

This new position, based within a small, lean Head Office, will report to the Group Finance Director. The role is broad-based and will involve group reporting, budgeting and planning together with foreign currency asset management, treasury management and reporting. In addition, the role will encompass issues such as intra-group financing, tax planning, capex control, group accounting procedures and the development of the use of IT in reporting.

The successful candidate will be a technically strong graduate Chartered Accountant. Hands-on consolidations experience within a multinational trading company is vital. This will have been gained ideally in a manufacturing related environment. Some knowledge of treasury and tax will be an advantage. The ability to work under pressure and above all as both a "doer and a thinker" is a pre-requisite.

Interested individuals who feel their experience matches our requirements should forward a detailed CV stating current salary package to Andrea Black at Robert Walters Associates, 42 Thames Street, Windsor, Berkshire SL4 1PR. Fax (0753) 678908.

ROBERT WALTERS ASSOCIATES

INTERNATIONAL — fast — HIGH STANDARDS

How Fidelity Works.

Revolutionary — Professional — EXCITING

We are the world's largest private investment organisation, with an established reputation for innovation and dynamism, largely gained through the professionalism, flair and commitment of all our people.

With offices in the major financial centres of Europe, the Far East, Japan and the United States, we are truly international. Much of this global success has been due to our perfectionist approach backed by systems at the forefront of technology.

We are now looking for a highly motivated, flexible self-starter who can make a significant contribution to our continuing international expansion. We know that it is only by employing the very best people that we can achieve our highly ambitious plans for the future.

INTERNATIONAL AUDITOR/CONSULTANT

Excellent Package – Tonbridge, Kent

Your prime responsibility will be to plan, oversee, execute and review a variety of international audit and consulting assignments in such areas as domestic and international trading, fund accounting and transfer agent processing. You will perform internal control reviews to identify opportunities for operational efficiencies. The ability to interact with our Senior Management across the globe will be vital.

To succeed in this challenging role you will need to be a qualified accountant (preferably ACA) with at least 4 years audit experience, including supervision of audit teams. PC-literate with good communication skills, you will also have extensive industry-specific experience in areas such as transfer agent fund accounting or custody banking. Some domestic and international travel will be necessary.

With these qualifications, high personal standards and a real desire for success, prospects within Fidelity are excellent. If you are interested please write with your CV (quoting ref 672), including details of your salary expectations, to our consultant, Phil Bainbridge, Whitehead Selection Limited, 43 Welbeck Street, London W1M 7HF.

Fidelity Investments

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Gareth Jones on 071 873 3199

Andrew Skarzinsky on 071 873 3607

FINANCIAL ANALYST

Key appointment in major blue chip multi-national

BASINGSTOKE

c. £40,000 + Executive car + Bonus + Benefits

Recognised as the world's most prestigious name in their specialist field, this major British blue chip multi-national has a turnover in excess of £500m. A highly acquisitive nature combined with business interests throughout the world has resulted in unbroken growth and profitability. The need now exists to appoint an exceptional Qualified Accountant to join their senior management team.

Reporting to a Divisional Finance Director, your brief will include analysis for a major business unit in Germany. In addition, you will be closely involved in competitor analysis, strategic/business reviews, detailed acquisition reports and have responsibility for several key process improvement programmes. Applicants must therefore meet the following criteria:

- Aged c.35 with at least three years commercial experience.
- Fluency in English and German.
- Ability to travel up to 40% of your time.
- Outstanding intellectual and communication abilities.

This represents a unique opportunity for an exceptional business minded accountant with broad based commercial experience, to significantly impact within a dynamic and highly respected organisation. Naturally long-term career prospects will be exceptional for candidates who demonstrate outstanding ability in this role. **The closing date for applications will be Friday 26 November 1993.**

Interested candidates should write immediately in confidence to **Andrew Livesey**, quoting reference number 1930 at **Nicholson International** (Search and Selection Consultants), Africa House, 64-78 Kingsway, London WC2B 6AH. Alternatively fax your details on **071 404 8128** or telephone **071 404 5501** for an initial discussion.

NICHOLSON INTERNATIONAL UK

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic

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High Calibre Achievers

to £35,000 + Car

Consumer goods — Surrey

This £billion turnover Group is renowned for manufacturing and marketing a broad portfolio of quality consumer goods. Having recently invested significant sums in advanced manufacturing and IT systems, the Company is poised to take advantage of major growth opportunities.

Customer focused and entrepreneurial in style, it now requires two outstanding young accountants for the following positions:

Management Accountant – Branded Products

The key objective will be to provide a focused, creative management accounting service for Business Management. Responsibilities include:

▲ analysis and interpretation of business performance ▲ review commercial risks and opportunities ▲ preparation of management accounts and flash results ▲ new product costing ▲ pricing advice ▲ systems development.

At least two years' PQE gained within a large FMCG organisation is a minimum requirement for this role. (Ref 0412)

Management Accountant – Production

Based in the production function at Group HQ, this role has responsibility for coordinating the production of management information for four 'state of the art' manufacturing plants. Duties will encompass:

▲ budgets, forecasts and flash results ▲ product costing and input to new product development ▲ factory performance review ▲ capital expenditure appraisal ▲ systems development ▲ advice and support to production management ▲ staff management.

A minimum of two years' PQE gained within a large manufacturing group is required for this post. (Ref 0413)

Candidates must be graduate calibre qualified accountants with broad technical experience including: product and standard costing and a knowledge of networked PCs and mainframe systems.

Personal qualities must include professional credibility, a robust but adaptable personality, together with excellent communication and interpersonal skills. At a time of great change, mental agility and the ability to develop creative solutions to business problems are vital attributes.

Applicants should write, enclosing a Curriculum Vitae and details of current salary, to Tony Martin, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS. Please quote the appropriate job reference number. Alternatively, telephone him on 0753 830881 or 081-398 7909 (evenings and weekends).

MARTIN·WARD ·ANDERSON·

Management Accountant

c£24k + Car — Nr Heathrow

Penguin Books is a wholly owned subsidiary of Pearson plc and is firmly established as a leading publisher of hardback and paperback books. The management accounts section is based at our offices near Heathrow and takes responsibility for the Group worldwide (excluding North America). The turnover of the division is £125m.

We are looking for a committed team player to join our small group of professional staff working on all the major annual financial events:

- ☆ monthly and quarterly accounts;
- ☆ annual budget;
- ☆ final and statutory accounts;
- ☆ tax computations.

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FINANCIAL TIMES SURVEY

UK LEASING AND ASSET FINANCE

Friday November 19 1993

gainst a background of continuing low growth, the regulators are posing ew pressures on the leasing industry. lso, the government's efforts to lure rivate finance into public sector rojects have not so far borne much uit, reports Andrew Jack

Owning 'is not really necessary'

HESE ARE turbulent times r the UK leasing industry, ne of the less well understood echanisms for raising nance. Not only are the ffects of the recession linger- g, but government and regu- tors are posing new pres- res on the sector

Leasing's role as a source of nancing for assets has long een underplayed. Its origins ay be ancient, but it is over e last 30 years that it has eveloped in the UK on the ack of tax allowances for capi- l investment and the influ- nce of the sector in the US.

It provides an important ource of financing for equip- ent and other assets to sup- lement the equity markets, as ell as loans and internally- enerated cash for companies, ublic sector bodies and the on-profit sector alike.

Leasing contracts are financ- g everything from office quipment and cars to heavy ublic infrastructure projects nd satellites. But, as Mr Mich- l Maberley, director for busi- ess finance at Lombard North entral, which provides ational Westminster Bank's asing services, puts it: "We re a very low profile industry. We need to get up and talk about ourselves more."

According to figures from the Finance and Leasing Association, the leading trade body, last year leasing accounted for £11.8bn in financing – or some 37 per cent of all UK investment in equipment.

By total value, it is most dominant in the acquisition of cars, plant and machinery, and computer and office equipment. It also plays a leading and high profile role in aircraft financing, as well as commercial vehicles and property.

Mr Tony Mallin, chairman of the FLA and a vice president of Hambros, says: "Leasing has grown with the realisation that you don't need to own things on your balance sheet to make your business work, that you can separate economic use from economic ownership."

Mr Maberley says: "If we are seen as direct competition with the banks, we have failed. Leasing provides a structured, term facility linked to the working and earning life of an asset. It is tax efficient, competitively-priced and shaped and structured around a variety of needs."

In spite of the attractions, leasing seems to have suffered disproportionately during the recession. "We have seen demand pick up a little during the year," says Mr John Callender, managing director of Barclays Mercantile, optimistically. His view that the worst may be over is shared by others in the sector.

Nevertheless, the FLA's latest figures for the first nine months of 1993 show leasing down by 3 per cent to £5.5bn compared with the same period last year. For September alone, leasing activity amounted to £813m, against £874m in September 1992.

Mr Maberley puts the decline down to the recession, which powerfully cut back on business investment. While companies may extend existing bank overdrafts during difficult economic times, new investment such as new lease contracts – which the FLA figures highlight – is minimal.

He adds that many lessors were also heavily stung by bad debts, and have tightened up credit controls considerably at the expense of new business.

Meanwhile, the industry is beginning to lose patience with the government's efforts to lure private finance into public sector projects – the so-called private finance initiative announced in the budget last year by Mr Norman Lamont.

Provisional guidelines were issued in May, and there have been meetings with Whitehall officials. This week Mr Kenneth Clarke, his successor as chancellor, affirmed his support for the idea at the Confederation of British Industry's annual conference and announced a working group to tackle the subject. "You've been hearing about the theory for a year now," he conceded.

So far, little has happened. "It seems to be difficult to get projects up and live," says Mr Mallin. "It is not moving at the rate which was expected. There seems to be a very purist approach by the Treasury."

He highlights the potential in transport and the health care sector, where he believes leasing would be ideal for hospitals seeking to use high-technology diagnostic equipment. There would also be scope among local authorities in waste management and environmental protection.

But objections seem to include the way in which the leases can be accounted for, and a traditional resistance to the erosion of public sector expenditure control and accountability.

More generally, the leasing companies concede that their industry still has something of an image problem, triggered by the high-profile collapses of a number of their peers such as Atlantic Computers, Blackspur and Court Line; as well as more recently publicity over the financial difficulties at GPA and Tiphook.

Lessors have also suffered particularly bad publicity in the last two years as a result of misrepresentations in the photocopier leasing industry – a subject now under scrutiny by the Office of Fair Trading, which is expected to report back shortly.

"A lot of people still have to overcome a desire to own assets. It is amazing how many feel that owning is really necessary," says Mr Callender.

"The word 'leasing' conjures up unsavoury memories, all tarred with the same brush. Sometimes our reputation is our biggest enemy. We have a responsibility to improve the name and brand image."

Mr Callender adds that the industry is still relatively cumbersome and unresponsive. "We have to get our act together and move towards understanding the customers' needs and being focused less on the technical side."

The FLA has attempted to tackle the criticisms with its own guidelines: notably some issued last year which called for far greater clarity in lease contracts, with the principal conditions prominently displayed to reduce misunderstandings.

It has also held discussions with some of its members to urge them to be responsive to complaints, though it says many calls it receives relate to non-members.

Attention in the industry is currently focused on the outcome of an inquiry by the Office of Fair Trading into extending the requirements of the Consumer Credit Act to small businesses and to financing transactions of up to £30,000.

"We're very keen that the OFT doesn't push government to put any further barriers on business in the small company sector," says Mr Mallin. He argues that changes in the existing regulations are not favoured by these companies and would be "totally misconceived".

The leasing industry's hope is that any such recommendations will be overtaken by another of the government's efforts, the deregulation initiative.

Other concerns for lessors include the threat of new accounting standards that could jeopardise the advantages to companies of being able to keep off-balance sheet many of their leases.

Both the statement of principles and Fred 4, two of the documents issued by the Accounting Standards Board (ASB), threaten to bring back all leases onto the balance sheet, dissolving the distinction between finance and operating leases.

The FLA, by contrast, argues that far more important is addressing the issue of aggressive income recognition in the accounts of lessor companies, which has been responsible for most of the collapses and financial difficulties. The call has been heard with some sympathy by standards-setters, but it could be many months before the ASB squeezes the topics onto its agenda.

IN THIS SURVEY

Tony Mallin: warns of negative move

John Callender: focus on the corporate market

Editorial production *Gabriel Bowman*

UK capital tax breaks are still needed, says Peter Montagnon

Lots of kick, little start

PRESSURE IS mounting on the UK government to renew the special tax breaks on capital spending announced in last year's public spending statement as part of an effort to boost investment and economic recovery.

The measures include a first-year depreciation allowance of 40 per cent on investment in plant and machinery undertaken in the 12 months to October this year. Thereafter the normal rate of 25 per cent would apply. A similar allowance of 20 per cent instead of the normal 4 per cent was established for spending on industrial buildings. Both measures run out at the end of this month.

The aim was to encourage industry to move investment forward into this period in the hope of additional spending that would help kick-start the economy. But there are strong doubts about how effective the changes have been and such tinkering with the incentives remains highly controversial.

One of the problems is that it is impossible to tell what would have happened if the reduction had not been in place. Some, such as the Confederation of British Industry, argue that investment could have been even lower without the concession. Mr Andrew Dilnot, director of the Institute for Fiscal Studies, argues, though, that the reduced rates "appear to have been a signal failure".

He told a conference on the forthcoming budget organised jointly with Goldman Sachs, the investment bank, that he was opposed to their being renewed. "If we were to do it, the greatest impact would be to give money to large companies who were going to invest anyway, rather than to stimulate new investment."

According to the IFS, the incentive to bring investment forward would also be reduced if the higher allowances were extended, because industry would start to think that more generous allowances were a permanent feature of the landscape.

Yet, cancelling the concession has its drawbacks too. According to Mr Sudhir Junankar, deputy director of economics at the CBI, "it would be counter-productive to take it off just when the recovery seems to be under way, when it's more likely to have an effect."

Perhaps the increased allowances were simply introduced in the wrong year

Indeed the CBI would like to see higher first year capital allowances made permanent. It sees this as a targeted way of promoting investment. As an accompanying measure it would like a 100 per cent capital allowance applied to the first £200,000 of investment which would be a special help for smaller companies.

Such a change would not be an alternative to the more general stimulus of cutting interest rates, Mr Junankar says. That, as well as a determined attempt to cut public spending, is at the top of the CBI's general budget shopping list. But confirmation of a more generous approach to capital allowances is at the top of its list of more focused specific measures.

Not surprisingly, the CBI's approach finds favour with Mr Neil Johnson, director-general of the Engineering Employers' Federation. His organisation, too, wants increased capital allowances made permanent. "The taxation bias we have against investment is crazy and internationally uncompetitive," he says.

Other countries allow for a shorter payback period in their approach to depreciation and some developing countries target specific industries for assistance, he says.

This approach is markedly different from that underlying the former chancellor Mr Nigel (now Lord) Lawson's reform of corporation tax, launched in 1984. That held that a lower overall rate of corporation tax was more beneficial to industry than specific breaks for individual sectors. Mr Johnson argues that such an approach lacks focus. Everyone benefits, but in relative terms it is of greater advantage to labour intensive service industries and works against the interests of capital intensive manufacturing.

It remains to be seen whether such arguments convince the Treasury to extend the benefit. There has not been much tangible evidence so far that it has stimulated investment. One possible reason cited by the IFS is that most companies finance new investment from retained earnings rather than from borrowed money. The interest on borrowings is tax-deductible, but increased capital allowances do not help in cutting the cost of using internally generated capital.

Admittedly, it is possible that figures for the third quarter of 1993 will show some resurgence as companies rush to beat the eligibility deadline.

In that case, there may also be a risk of the recovery appearing to falter around the turn of the year as investment levels fall back.

It is more likely, though, that increased allowances have failed to stimulate activity primarily because companies simply have not felt particularly inclined to invest much over the past year. Not only is there generally a large surplus of capacity in industry; the course of demand has been difficult to forecast and confidence has been low.

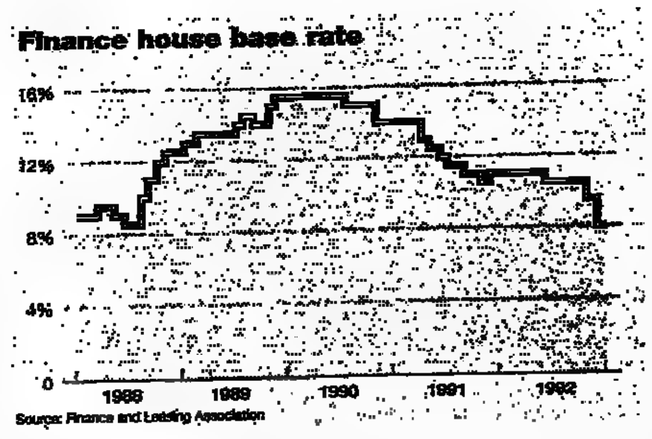
So perhaps the concessions were simply introduced in the wrong year. The experience of 1984-86, when time-limited concessions on capital investment were also in effect, was rather different. The evidence then was that they did stimulate investment, although it is less clear whether this simply involved bringing forward investment that was already planned.

Leaving them in place for another year might finally do the trick, now that confidence is recovering. The flaw in this argument, though, is that it suggests concessions on capital allowances will have an impact only when companies are planning to invest anyway.

"So far capital spending is proving to be one of the last things in the domestic economy to turn round," says Mr Kevin Gardiner, UK economist at Warburg Securities. There is a large amount of unused capacity in the economy, but real rates of return are relatively high for this stage in the cycle and corporate cash flow is improving.

That might mean the chancellor does not need to extend the special allowances. "We do still see the capital expenditure accelerator kicking in at some stage," Mr Gardiner says.

Finance house base rate



Source: Finance and Leasing Association

Business finance figures (£m)

	Jan-Sep 1993	Jan-Sep 1992	Change
TOTAL	9,891	9,400	+ 5.2%
Leasing	5,555	5,729	- 3.0%
Hire purchase	4,335	3,671	+18.1%
Direct finance			
Finance leasing	4,136	4,426	- 6.6%
Operating leasing	765	647	+18.2%
Hire purchase	2,370	1,911	+24.0%
Other loans	244	222	+ 9.9%
Purchase mortgage	69	53	+30.4%
Point of sale	2,307	2,141	+ 7.7%

Figures have been rounded up so they may not add up exactly
Source: Finance and Leasing Association

Peter Carty examines a typical dilemma

Whether to lease, whether to buy

COMPANIES planning acquisitions of new capital items are typically faced with the dilemma of whether to lease an asset or to take out a bank loan and purchase it.

The extra security afforded to a lessor by potential repossession of the leased asset should mean that more favourable terms are on offer than those for a bank loan. In practice, a bank may obtain a charge over a capital item bought through a loan, negating this apparent advantage.

In addition, many leased items depreciate rapidly and provide limited security. "The lessor is taking very little asset risk," says Mr Paresh Mashru, head of management consultancy Arthur Andersen's asset finance unit. "For that type of lending really what he is doing is taking a credit decision. On the margin the comfort that a leasing company looks for when it leases is not dissimilar to what a bank looks for when it makes a medium-term loan."

In particular, high technology items such as computers do not give lessors good asset backing. "We take more of a lending approach rather than an asset finance approach there," agrees Mr Derek Pridmore, marketing director of Barclay's Mercantile Business Finance. "They will mostly be finance leases."

Leasing can display other similarities to loans and other credit facilities. A lessor might look for a large up-front payment, most commonly with smaller companies, say a third of the value of an asset, in much the same way as for a hire purchase transaction. It may not feel comfortable with the lessee's credit rating for the item's whole cost.

Although leases sometimes may not offer superior payment terms for rapidly ageing asset categories, this can be more than compensated for by their potential flexibility. The lessee can avoid being lumbered with obsolescent equipment by taking out a lease with built-in upgrading clauses.

This facility cannot be so extended through a loan which only enables a one-off purchase – there are some swiftly depreciating capital items which do offer good asset backing, so that leasing should give a marginal advantage. "The average period for leasing cars is just over 36 months. Residual values for cars at three years are typically 35 to 40 per cent of original face value, so there is good security of value in the asset itself," confirms Mr Pridmore.

Avoid being lumbered with obsolescent equipment by taking out a lease with built-in upgrading clauses

Assets with longer lives which are easily removable and re-marketable are commercial vehicles, machine tools, printing presses, agricultural machinery, production lines and aircraft. "If it's a genuine asset-based decision then I think the leasing company might well be cheaper," says Mr Mashru.

A crucial factor in the lease or buy decision is, of course, tax – and in particular, capital allowances. At present many companies emerging from a lengthy recession may not have profits against which to set off capital allowances. "If you don't pay any tax that benefit is just lost to you," says Mr Mashru. A lessor can utilise the allowances and pass them on to the lessee. This is a permanent source of advantage to some non-profit making organisations such as local authorities.

Leasing can also offer a source of additional funding that may not be available through bank loans. Assets acquired under operating leases can often go off-balance sheet so that key ratios do not deteriorate and banking covenants remain unbreached. The scope of this practice may be soon restricted by the Accounting Standards Board.

Another factor to weigh up in the lease or buy decision are the perks that are often built into the leasing contract. These can include servicing and maintenance. A wider variety tends to be available for computers frequently encompassing installation, training and help hot-lines.

Finding the notional cost within the lease of each extra for comparison purposes can be problematic. "If they're bundled, it's difficult to determine what the individual elements are," says Mr Alan Jones, managing director of Copernicus, a company producing lease evaluation software.

Disentangling the charges for the extras from the actual cost of the equipment under a lease is made more difficult because the lessor may be able to buy it on more preferential terms from the manufacturer than the lessee. Of course, if the lessor does get a manufacturer's discount, the benefit can be passed on to the lessee.

Leases have become more sophisticated and often incorporate treasury instruments for big ticket items. Variable rate leases can be hedged with various instruments so that they have a fixed repayment profile. But treasury instruments can be dangerous in the hands of the inexperienced. "Like anything else, it can be effective if it's properly managed," comments Mr Mashru, emphasising the importance of laying down clear objectives for the use of instruments.

A disadvantage of leasing is that lessees can lose out on government grants. If they do not have legal title to the asset, they may not be eligible for a relevant award. It may not be available to the lessor, so that benefits cannot be passed on.

It's on the spreadsheet that many lease or buy decisions are made. The two common quantitative evaluation techniques both compare the cash flows from alternatives. The net present value (NPV) method involves discounting the flows back to get amounts of money representing equivalent values at the inception of the lease or loan. Under the internal rate of return method (IRR), the discount rates which give NPVs for each decision of zero are compared and ranked.

Many financial professionals use incorrect discount rates when comparing cash flows

"Occasionally it is not possible to calculate an IRR for some cash flows, and others might have more than one IRR. Many companies feel more comfortable with aggregate amounts rather than rates and opt for the NPV method.

"The point about the NPV is that you can get a value in today's terms, it gives you a total," comments Mr Jones of Copernicus. "The IRR might be a rate applied to a small amount in which case the interest element is small, but if you've got a present value you can see that leasing in today's terms costs you, say, £100,000 and buying costs you £105,000."

It may be easier, but many financial professionals use incorrect discount rates when comparing the cash flows. A common error is to insert a before-tax discount rate into the spreadsheet rather than the after-tax rate. "It's amazing how unsophisticated some corporates are, particularly the small to medium-sized," says Mr Mashru.

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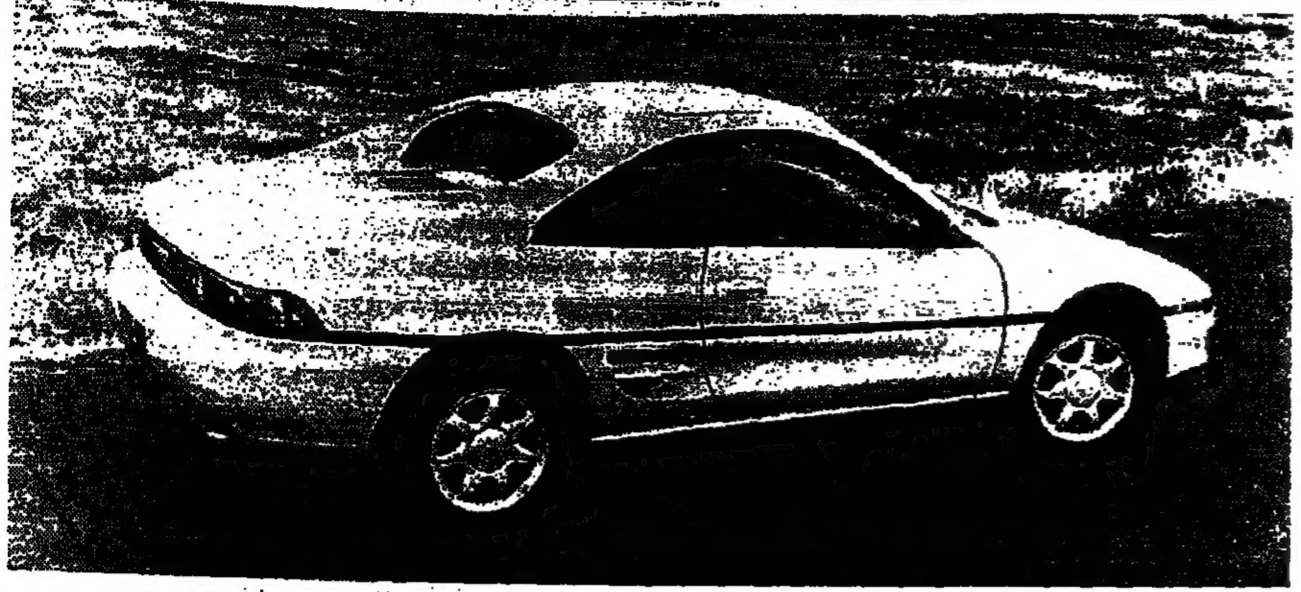
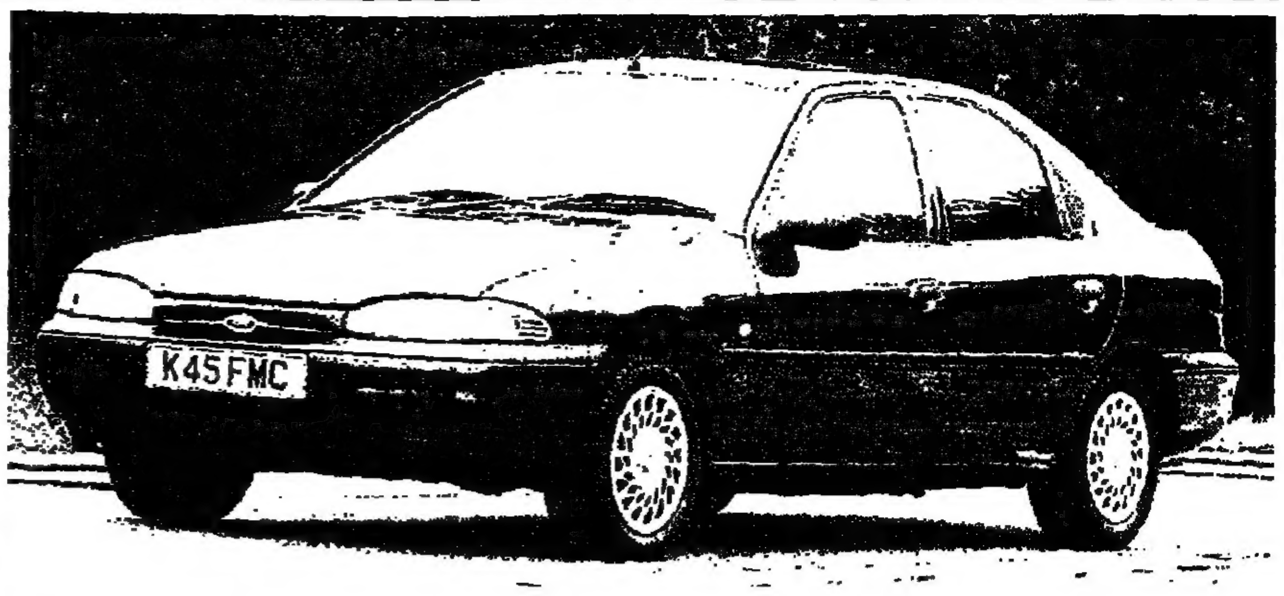


Leasing possibility? The Toyota MR2 mid-engine sports car features four-wheel anti-lock brakes and electro-hydraulic power steering



If the Mondeo's operating cost - this is the GLX version - is about £4,000, an employee who gives up that benefit for a salary rise may be worse off

Britain's company car market – the largest in Europe – faces a new tax regime, reports **Martin Derrick**

Effects will be hard to predict

BRITAIN'S vehicle leasing and contract hire industry, thanks in no small part to the size of the company car market in the UK, is Europe's largest in terms of business volume and most sophisticated in terms of the variety of financial products on offer.

While outright purchase remains the most popular method of acquiring new company vehicles, according to statistics collated in the Monks Partnership *Company Car Policy UK 1993* report, nevertheless 11 per cent of new company cars are on finance lease or HP; 18 per cent on contract hire; 6 per cent on contract purchase; and 1 per cent on other methods.

The reasons given by those companies that choose lease purchase, HP or contract hire are chiefly ease of administration, tax advantages and the fact that costs are largely fixed for the duration of the contract, so budgeting is made far more straightforward.

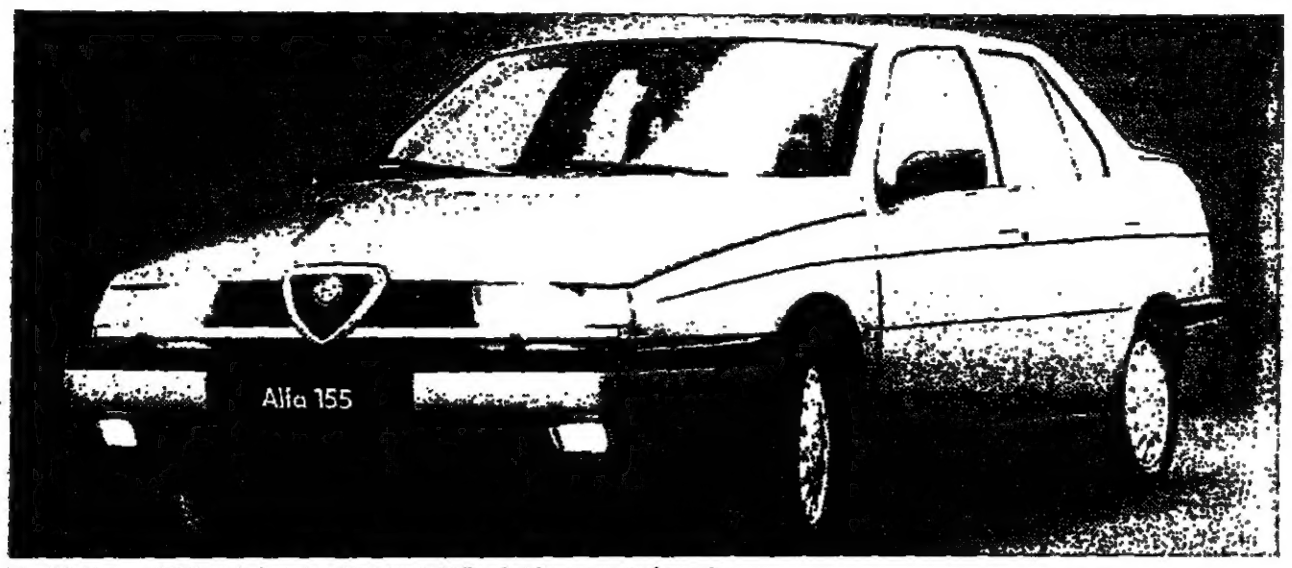
The specialist contract hire and leasing companies also tend to argue that companies using their services often gain financially, because professional fleet management operations benefit from economies of scale and so can buy vehicles cheaper than individual companies may be able to, can negotiate lower servicing and repair labour rates, and can usually manage to achieve higher prices for the used vehicles at the end of the contract.

However, widespread publicity about the new company car tax regime which comes into play next April – combined with the increases in personal benefit-in-kind scale rates announced by Mr Norman Lamont when chancellor last April – has prompted renewed debate on the thorny subject of cash v. cars.

The difficulty is that without going in some detail into individual circumstances, it is virtually impossible to generalise as to whether employees would be better off choosing cash instead of a company car. Some will certainly face a hefty tax increase next April – but many more will find they are paying less tax.

To make matters more complicated, there could well be instances in which an employee may wish to change his car in order to reduce his or her personal tax bill – but that change could end up costing the employer far more.

Cowie Interleasing, the UK's largest company car leasing operator, provides a typical example: A £19,600 Toyota Celica 2.0GT could land its driver with a tax increase of £950 next year, so he may be tempted to choose instead an Alfa Romeo 155 2.5V6 which is over £1,600 cheaper, delivers a comparable performance and, after April 1994, will see a tax reduction of up to £269 a year for the driver.



The Alfa Romeo 155: it costs less than the Toyota Celica, but it may prove dearer to run

However, Cowie's figures show that when list price, maintenance, insurance and other running costs are taken into account, such a move would actually cost the company over 4p a mile more to run the Alfa than the Japanese car – or over £2,500 more if run over three years.

"The responsible fleet manager should always focus on the total running costs of any vehicle," says Mr Neil Pykett, Cowie Interleasing managing director. "There are several models which have an attractive list price and may be the preferred choice of tax-conscious company car drivers, but these could cost the company dear in the long run."

There are similar difficulties when one begins to discuss the level of cash to compensate an employee for turning in a company car: should the cash alternative be set at the cost to the company of providing the car, or the cost to the employee of providing a similar car privately? Indeed, the two figures can be many thousands of pounds per year apart.

"Offering a cash option could either cost companies a fortune or leave their drivers, if they take up the option, hopelessly out of pocket," says Mr Geoff Becque, director of Leasecontracts.

He quotes the annual operating cost, including insurance but excluding fuel, of a Ford Mondeo 1.6i LX, at £4,185, on which the typical driver would pay benefit-in-kind tax at the rate of £725 a year.

"But even if the employer paid him £4,613 extra a year (£4,185 less £725 grossed up to a before-tax figure), the employee could not afford the same new car. It is highly unlikely he could obtain insurance as cheaply as under a fleet policy, nor would he benefit from corporate buying and borrowing power, nor professional maintenance and disposal expertise," says Mr Becque.

The British Vehicle Rental and Leasing Association says there will be no clear advantage in opting for cash instead of a company car unless benefit in kind taxation is increased dramatically. It also makes the point that individuals are unlikely to be VAT-registered and so cannot reclaim VAT paid on petrol, spare parts and servicing. In addition, says Mr Terry Nunn, the BVRLA chairman, "the ex-driver of the company car may find the income tax levied on the salary increment may leave him worse off and, more importantly, unable to finance a privately owned replacement vehicle."

However, the leasing industry is taking seriously the potential growth of private purchases by ex-company car owners. Such motor manufacturers as Vauxhall, Ford, Volkswagen and BMW have all launched private leasing schemes during the past year, aimed at keeping the monthly costs of car use at a sensible level. Generally, a deposit is paid and monthly payments are then made for two or three years, after which the driver can return the car, pay an agreed residual value to retain ownership, or change to a new car with adjusted monthly payments.

There is also increasing interest in contract purchase schemes, though, explains Mr Norman Donkin, until recently chairman of A&T Norfolk Finance and now an adviser to the BVRLA, the advantages are mainly enjoyed by fleet users which are exempt or partly-exempt for VAT purposes, and also for users of cars with a retail price over £12,000 where a proportion of rentals under leases and contract hire agreements is permanently disallowed for tax purposes.

Under contract purchase the user pays instalments to the finance company covering repayment of the capital plus interest followed, at the end of the contract, by a predetermined balloon payment, after which ownership passes to the user.

Some companies have also recently launched personal contract purchase products, aimed at individuals whose employers have switched to providing cash allowances in substitution for cars, often made available under arrangements set up in co-operation with the employer, to ease the financial problems of the transition to employee-provided cars.

"The take-up of personal contract purchase facilities has, not surprisingly, been very slow," says Mr Donkin. "For the vast bulk of company car drivers it does not make sound financial sense for cash to be substituted for their cars.

"Added to this, few employers are willing to face the substantial cost (grossed up for tax purposes) of ensuring that the driver is no worse off in net-of-tax terms than he was with his company car."

Andrew Jack looks at prospects for the reform of existing requirements

Standards give cause for concern

ACCOUNTING STANDARDS may seem abstract and obscure, but to the leasing industry, they could spell life or death. Current reforms under discussion are causing considerable concern within the sector.

The existing standard on leasing is Statement of Standard Accounting Practice 21 (SSAP 21), which was introduced in 1984. It echoed Financial Accounting Standard 13, first issued in the US in the mid-1970s. Pressure for the development of the standard was driven by concerns over financial collapses involving leases in the past.

"Leasing was very much a means of off-balance sheet financing, leaving you with very healthy gearing and disclosure of the commitment in a note to the accounts," says Mr Paresh Mashru, a partner with accountants Arthur Andersen in London and head of the firm's asset finance practice.

The standard defined two types of leases:

- Finance leases, which were purely financing transactions with contracts at the end of which the lessee had paid for most of the value of the asset. In the lessee's accounts, the asset is treated as a purchase, with the asset shown on the balance sheet, and both the costs of borrowing and the depreciation of the asset shown in the profit and loss account.
- Operating leases, which are allowed to remain off-balance sheet, meaning that the lessee is not required to show any impact in the balance sheet of the lease, but merely has to show a charge to the profit and loss account on servicing it.

As a rule of thumb, both FAS 13 and SSAP 21 drew the distinction between the two types of leases with an illustrative figure that a finance lease was any in which the present value was at least 90 per cent of the asset's fair value – the so-called "90 per cent test".

But the legal and financial industries seized on the figure, and devised mechanisms to ensure that the lease contracts drawn up would be just below the limit. "The industry mushroomed – especially for big ticket leasing," says Mr Mashru. "Investment bankers spent a lot of time engineering leases to be off-balance sheet at 89 per cent. A whole industry grew up doing clever structuring to get what would normally be on, off."

In general, the two accounting requirements of the two types of leases are the inverse or mirror image for the leasing company itself: placing operating leases on and finance leases off-balance sheet as merely income. But similarly complex structures have also evolved so that even the lessor can remove the impact of the lease from the balance sheet.

The strategies used include introducing a third party which also takes part of the risk. "That keep the lease off-balance sheet of all three parties, so it floats somewhere around between them," says Mr Mashru. "Nobody claims ownership."

Now this cosy two-way split in the accounting standard is under threat – partly because the standards-setters believe this manipulation does not truly reflect the obligations of a company in a variety of financing arrangements. Suddenly there are two principal challenges to the existing structure:

This cosy two-way split in the accounting standard is under threat

- Financial Reporting Exposure Draft 4 (Fred 4), which deals with all off-balance sheet instruments and stresses the importance of recording the true nature of transactions – emphasising a portrayal in companies' accounts of their real economic substance, not simply their legal form. This would destroy the tactic adopted by the avoidance industry in exploiting the 90 per cent test.
- The statement of principles, the basic framework that underlies the new financial reporting standards being developed. This clearly defines the nature of assets and liabilities, which should be adhered to in all the specific standards that spring from it.

While both specifically exclude leasing, they contradict SSAP 21, raising the argument that the standard will need revision to bring it into line.

That said, the industry has been on considerable notice: the proposals have been around for some time – and represent the evolution of two previous exposure draft standards produced by the old Accounting Standards Committee (ASC).

But the Finance and Leasing Association argues that the changes would be extremely harmful to the industry. Mr Tony Mallin, chairman of the association, says: "Companies will find leases less attractive. They will move to other forms of financing. That will be a negative move."

He also dismisses the focus as "irrelevant", and stresses that there have been no significant leasing scandals related to the off-balance sheet presentation since the collapse of Court Line in the mid 1970s.

Mr Mallin argues that far more important is the need to develop standards on income recognition, to ensure that leasing companies do not recognise profits too early during a leasing contract without adequately assessing the residual value of an asset at the end of a lease.

"Traditionally, companies front-end profits," says Mr Mashru. "That works in a bull market when there are new leases being arranged. But in a downturn, there is less income and more bad debts."

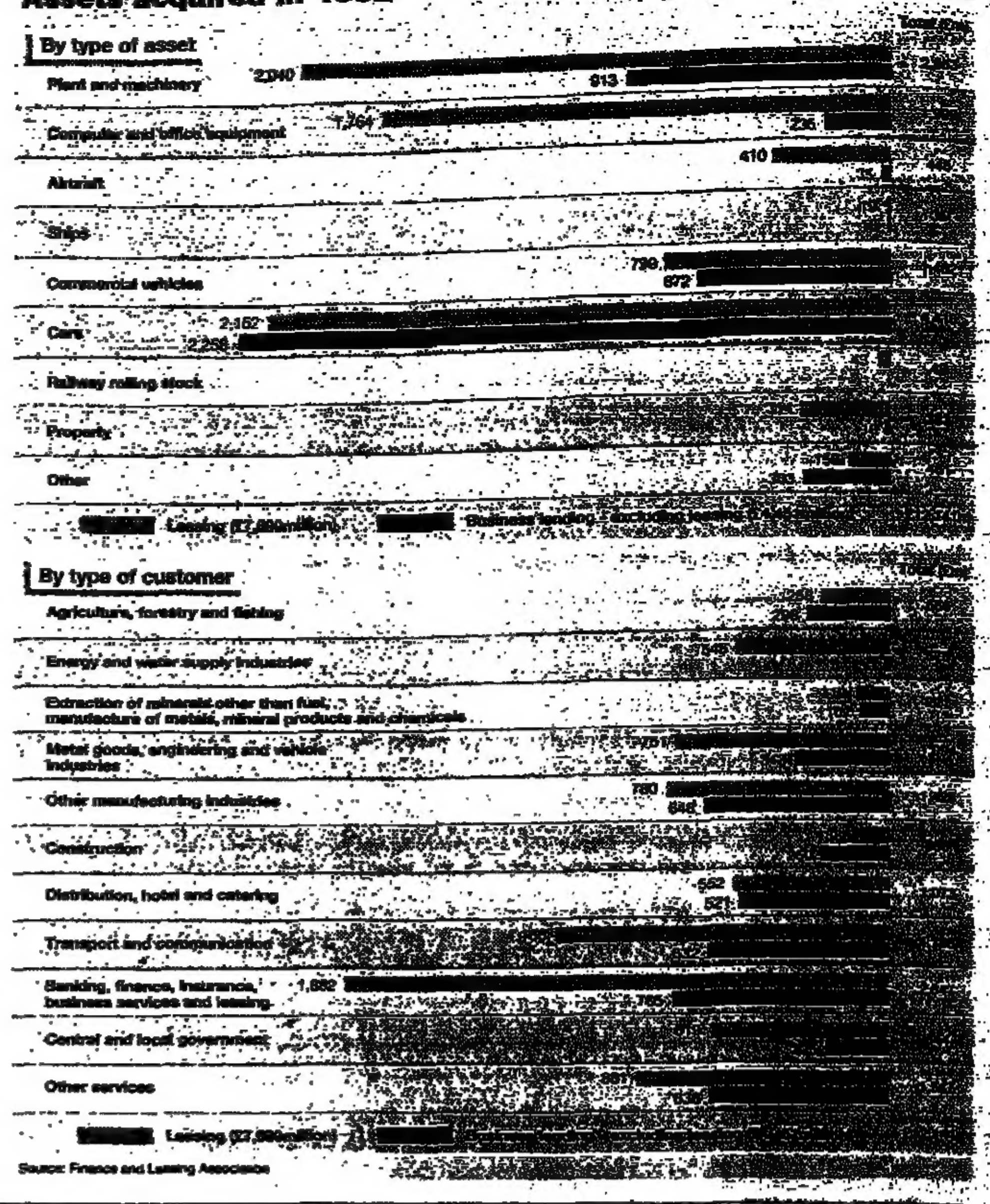
The FLA argues that it is these issues which have triggered most of the financial collapses and difficulties in recent years such as Atlantic Computers. The association has issued its own guidelines on the topics, urging conservatism.

Mr David Tweedie, chairman of the Accounting Standards Board (ASB), which replaced the ASC three years ago in the UK, acknowledges that SSAP 21 is inadequate. The same message of limitations in their own requirements came from a group of standards-setters from around the world who gathered in London earlier this month.

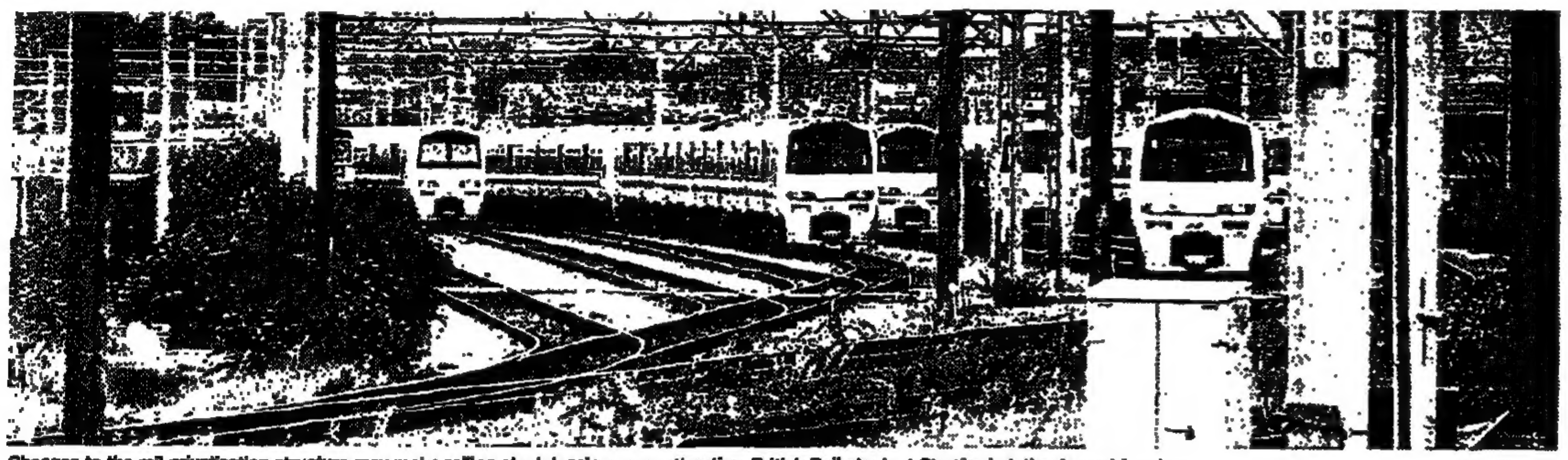
But it is likely to be a number of months before the ASB begins to tackle a project comprehensively to revise SSAP 21. In the meantime, the only prospect of reform is likely to be through a pronouncement from the body's urgent issues task force, which deals with relatively-narrowly defined matters of public concern – notably in the abuse of existing standards.

The question is whether the leasing industry can develop proposals on these grounds or will have to wait for more fundamental reform at a time when it can be squeezed into the ASB's current frenetic activity.

Assets acquired in 1992



Source: Finance and Leasing Association



Changes to the rail privatisation structure may make rolling stock leasing more attractive. British Rail stock at Stratford station in east London Trevor Humphries

John Willman looks at the impact on the public sector

Initiative proves a damp squib

THERE was jubilation in much of the UK leasing industry following the launch in last November's autumn statement of the government's private finance initiative.

The initiative, announced by Mr Norman Lamont, then chancellor, included a series of measures designed to encourage the private sector to finance public expenditure. These included new rules to encourage greater use of leasing by civil service departments, government agencies, nationalised industries and the health service.

Jubilation has been short-lived, however, with little so far to show in the way of new leasing business apart from one large and rather unusual deal involving railway rolling stock. While many in the industry still hope to see big opportunities open up in the public sector, progress so far has been painfully slow.

Until last year, Treasury accounting rules provided an almost insuperable obstacle to leasing in central government. Apart from property and some specialised leases, the capital value of the asset had to be deducted from the expenditure total of the department or agency in the first year of the lease. Thus, even operating leases offered no significant benefits in smoothing expenditure across the life of the asset.

This contrasted with local government where most councils now finance much of their non-buildings capital expenditure through leasing, according to Mr Andy Thompson, secretary of the Finance and Leasing Association. Local authority leasing of vehicles and other movable equipment accounted for the bulk of the £844m of public sector business recorded by the association last year.

The autumn statement offered new hope for leasing in the civil service, health service and nationalised industries. The chancellor opened up the possibility of greater opportunities for the public sector to use leases where they offered the best value for money.

As in the rest of private finance initiative, the key was the transfer of risk. Where the "great majority of the risk" stays with the lessor, only the leasing payments would count against public expenditure allocations.

This ruled out finance leases, as was made clear in a subsequent Treasury note on leasing, issued in May. With access to finance at gilt rates, it will usually be cheaper for central government to finance purchases of capital equipment directly.

However, the potential for converting capital projects into current spending through operating leases could now be explored for public bodies such as the health service and British Rail.

The initial stumbling block has proved to be the requirement for a substantial transfer of risk, according to Mr Thompson. "The government is looking for something extra in the form of residual values or the maintenance of the leased assets," he says.

On assets worth less than £1m, the only requirement imposed by the Treasury is that the lease should count as an operating lease under the relevant accounting standard SSAP 21.

And with assets worth more than £1m but less than £10m, the Treasury has devised a simple rule of thumb for determining whether the great majority of the risk has been transferred to the lessor. The requirement will have been satisfied if the present value of the lease payments amounts to less than 70 per cent of the value of the assets.

But if this test cannot be satisfied, the Treasury will require convincing that risk has been substantially transferred through a detailed risk analysis. Such an analysis will always be required for assets worth more than £10m.

In practice, these onerous requirements have largely limited new leasing business to smaller projects below £1m. Detailed project opportunities have been slow to come in, according to the Finance and Leasing Association.

Interest in finding ways of satisfying Treasury criteria has also been dampened by the additional requirement to open public procurement contracts to competitive bidding. In this notoriously secretive business, leasing companies have been reluctant to come forward with innovative forms of leasing which will then be exposed to competitors through tendering.

The main exception in this lack of progress has been in railway equipment. In the autumn statement, the chancellor gave British Rail the go-ahead to lease £150m of rolling stock in the run-up to privatisation. The two main UK manufacturers, ABB and GEC Alsthom, were invited to compete for the money to ensure maximum value for money.

The battle to win the contract raged for much of this year, spurred on by rivalry between the two BR divisions which stood to benefit from the new order. Last month, ministers announced that ABB had won the competition, with a contract that includes responsibility for financing, building and maintaining the trains – in addition to accepting the risk involved in the residual value of the rolling stock at the end of the deal.

This residual risk could have been a considerable one, given that once BR is privatised, passenger franchises are expected to be awarded for five to seven years, much less than the expected life of railway rolling stock.

However, the actual risk may have already been diminished by the creation of three new leasing companies to take over BR's existing rolling stock and lease it back to the franchisees. The franchise director will be able to direct franchisees to use particular types of rolling stock, so that it will be possible to write off investment in new equipment over a reasonable period.

The chance of ABB, or any other lessor, being left with new rolling stock at the end of a franchise period has thus been considerably reduced.

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Office equipment is feeling the squeeze, writes **Peter Carty**

In the shadow of the recession

"IT'S a slow move out of recession: we're not seeing huge increases in new business," says Mr Roger Gazzard, managing director of Lloyds Bowmaker, Business Technology Finance. The sector is greatly dependent on small businesses, who in their turn have been particularly heavily hit.

Hard information on this market segment is difficult to come by. According to statistics from the Finance & Leasing Association, 6 per cent of the whole leasing market is represented by photocopiers, vending machines and fax machines. Other major categories of office equipment are personal computers and post room equipment.

Last year's total for new leasing business in office equipment and computers written by FLA members is £1.76bn, down from £2.48bn in 1991. However, included in these totals are sizeable computer installations which cannot really be regarded as office equipment in the same way as personal computers.

Business is mainly small ticket with consequent diseconomies of scale.

These are partly overcome

Stories of small businesses driven under by onerous lease requirements

by lessors dealing with lessees through equipment suppliers, hence the tag "sales aid leasing". According to Mr Gazzard, "negotiating direct with the *customer* would put up the cost considerably".

Careful management is crucial. "While it's asset-based finance, the underlying depreciation is high on the assets so there isn't very much by way of security covering you if a contract goes wrong," he explains.

Schroder Leasing has been in the market for 33 years, with around 60 per cent of turnover coming from office equipment. "It is a profitable market for lessors as long as they play the game properly," says Mr Jeff Addison, managing director. His company has minimised costs by developing sophisticated transaction processing and support systems – he calls it "the lifeblood of a small ticket sales aid *leasing* company".

Photocopiers have one of the biggest market shares, with around 160,000 UK installations each year and leasing a popular method of acquisition. But this area of the business has been embroiled in controversy for the last couple of years. There are stories of small businesses driven under by the onerous lease requirements.

The sector may be soon due for tighter regulation. The Office of Fair Trading has conducted an inquiry and will publish a report in the near future. Sir Bryan Carsberg, the director-general, is unhappy with what he describes as "misplaced ingenuity" on the part of a number of dealers and finance houses.

The Finance & Leasing Association, which represents around 80 per cent of the *industry, took its own steps to* try and solve the problems some time ago. Guidance notes on sales aid leasing were issued to members in April 1992. The intention of the notes is to ensure that lease documentation is clear and that the customer is fully aware of the financial obligations under a lease.

"While I wouldn't say that the practices of all the lessors were of a reasonable enough standard they certainly have moved forward dramatically," says Lloyds Bowmaker's Mr Gazzard, who is also chairman of the FLA's small ticket leasing group. "The sorts of contracts you see now are clear, are unequivocal."

Mr Charlie Blacklock, manager of the Campaign to Clean Up Copier Contracts, launched in February last year, agrees that the industry has made progress. . "The cost-per-copy *contract is disappearing*, people have realised that it is open to abuse," says Mr Blacklock. Cost-per-copy contracts have frequently overestimated a lessee's likely use of a machine and pushed up costs accordingly.

"My own company will only write cost-per-copy contracts for customers of a reasonable size and with a constant copying requirement," says Mr Gazzard. He adds that throughout the industry cost-per-copy contracts are now generally used only for larger customers, and comprise less than 20 per cent of all contracts.

Sir Bryan Carsberg: unhappy with "misplaced ingenuity" of dealers and finance houses Colin Beere

However, Mr Blacklock still receives an average of three calls a day from people who have fallen foul of copier contracts, some of which were signed with FLA members after the guidance notes were introduced. "There has been improvement but we still feel that there is a long way to go," he says.

Mr John Chapman, assistant director of the OFT's consumer affairs division, says that the report is likely to highlight continuing areas of concern. As well as photocopier contracts, to a lesser extent agreements for faxes, franking machines and vending machines are also causing disquiet.

"We've got about eight different areas where we still think there's quite a bit more to be done," he says. These include price escalation clauses, lengths of contracts, settlement conditions, cost-per-copy contracts and upgrading Clauses. The OFT is also likely to call for greater overall transparency in contracts.

The OFT also has a consultation document out exploring the possibility of changes of the relationship of the Consumer Credit Act 1974 to businesses. At present it applies to sole traders and partnerships. One option is to extend its protection to companies, though removing businesses from its scope altogether is also being considered. In addition, a wider review of the content of the Act itself is in progress, with one prospect being to raise the limit on transactions within its remit from £15,000 to £30,000.

Lessors are not keen on extending the Act to cover companies. "I think that would be extremely bad for the small business user because it's going to put leasing companies in a very difficult position,"

Cost-per-copy contracts are disappearing: they comprise less than 20 per cent of all deals

says Mr Addison of Schroder Leasing. "It's going to take a huge amount of finance out of the market."

The FLA says some of the clauses would reduce the extent of finance available to businesses from its members, notably for small ticket leasing. For example, a borrower has the right to settle a regulated credit agreement early and some regulated hire agreements can be terminated after 18 months.

Others see some advantages. Mr Blacklock of the Campaign to Clean Up Copier Contracts thinks the "cooling off" period under the Act would be of benefit to businesses. The FLA, for its part, says that this could prevent businesses getting vital equipment quickly since lessors would be reluctant to supply until after the cooling off period.

In the meantime, included in the FLA sales aid guidance notes available from lessors is a check list for lessees which is well worth reviewing before entering into office equipment leases.

Alan Spence on the problems UK companies face in export leasing

Field is not worth playing on

IN RECENT years the UK government has faced increasing pressure from exporters for greater support for their efforts, particularly as they claim that they often have to compete on an international playing field which is far from level.

To some extent, their appeals have been heard with, for example, government providing additional re-insurance support to buttress the services offered by short-term export credit insurers and by improving the cost and scope of medium-term cover offered by the country's official export credit insurer, the Export Credits Guarantee Department (ECGD).

This has gone some way towards levelling the playing field for exporters who argue that insurance and other official supports are often greater in competitor countries. However, one area where UK exporters continue to remain at a major disadvantage is in export leasing.

Here, it is not a question of an unlevel playing field; the UK tax regime relating to cross-border asset leasing is such that it is scarcely worth UK exporters taking to the field at all.

Fundamentally, the problem is that only 10 per cent writing down allowances (WDAs) are available for assets leased on a cross-border basis, compared with 25 per cent on domestic leases. Moreover, as the UK Finance and Leasing Association (FLA) points out, the eligibility of even this low level of WDAs is heavily restricted.

The current tax treatment of export leasing transactions has been in force since 1982. The previous year, members of the FLA wrote new leases for overseas customers valued at £572m – much of which represented leases to back sales of UK exports.

At current prices, the 1981 figure translates into business amounting to around £1.2bn – an amount which if, indeed, it had been transacted this year by FLA members, which include such major financial institutions as Kleinwort Benson and Hambros, would perhaps have involved support of between £700m and £800m for UK exports, according to Mr Andy Thompson, the FLA's secretary.

The 1982 rules were introduced by the government as a reaction to the perceived abuses of export leasing which the Inland Revenue believed were giving rise to a significant leakage of tax revenue.

Not only do the rules involve a low writing down allowance of only 10 per cent, but the eligibility requirements for even this level are very strict. Leases, for instance, cannot be written for longer than 13 years, while lease payments must be evenly-spaced and similar in size. They cannot be altered to take account of the lessor's own borrowing costs – though changes can be made if indisputably linked to shifts in base rate movements.

UK exporters are irked by the absence of cross-border leasing as a mechanism for facilitating sales given the opportunities in competitor countries

In short, current tax legislation relating to export leasing provides no "sensible kick" for UK overseas sales, according to Mr Barry Sutton of London-based lease-structuring experts New Boston Partners, partly owned by the Bank of Tokyo.

For UK exporters and institutions connected with leasing, the absence of cross-border leasing as a mechanism for facilitating sales is particularly irksome, given the favourable climate for leasing fostered by governments in key competitor countries, such as the United States and Germany.

As Mr Sutton points out, favourable provision for the use of export *leasing is* written into the US Tax Code which permits companies exporting goods with a US content of greater than 50 per cent to structure leasing deals through an offshore domiciled special purpose company known as a Foreign Sales Corporation (*FSC*).

The economic benefits of utilising such a structure can result in savings equivalent to around 7 or 8 per cent of the price of the asset, says Mr Sutton. This can either be used to boost competitive advantage or profit margins, or both.

Meanwhile, in Germany, for example, the value of an asset can be written down at between 20 to 25 per cent annually, though rates can vary significantly depending on the nature of the assets involved. Moreover, the terms of leases qualifying for such writedowns are generally considered much more flexible, according to the FLA's Mr Thompson.

The FLA is continuing to campaign for a change in the UK law on export leasing, which it says results in a significant loss to the UK balance of payments in terms of net earnings on leases and international market penetration by UK-manufactured goods.

An FLA delegation led by its chairman, Mr Tony Mallin of Hambros, has had three meetings with the Inland Revenue in recent months to discuss the situation. The FLA describes the meetings as "useful" and feels that the Revenue is seriously considering ways in which cross-border leasing can be made into a viable export facilitation technique. But the impression is that no significant change in tax treatment of export leases is imminent.

Another body which may become involved in lobbying the government for change is the British Exporters Association (Bexa), which groups together manufacturers and bankers. Mr Keith Johnson, its chairman, says that Bexa, which *has* been *instrumental* in, for example, lobbying for increased government support for export credit insurance, may apply its own pressure if UK exporters remain at a competitive disadvantage in this area of export funding.

Alan Spence is Editor, International Trade Finance, a fortnightly newsletter published by Financial Times Business Enterprises Ltd.

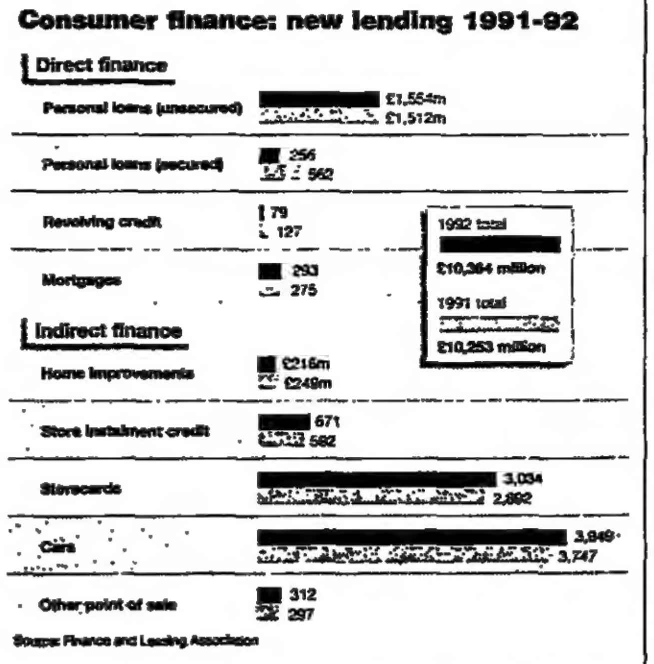
Leasing of equipment as a percentage of all UK investment in equipment 1981-92
Equipment Leasing Association figures

Year	Leasing £m (%)	Total (including other business lending)
1981	2,102 (11.1)	
1982	2,740 (13.3)	
1983	2,894 (12.9)	
1984	3,958 (15.3)	
1985	5,612 (18.5)	
1986	5,054 (16.3)	
1987	5,887 (16.9)	£m (%)
1988	7,569 (18.8)	11,057 (27.5)
1989	9,290 (20.0)	13,223 (28.5)
1990	9,589 (20.4)	13,441 (28.6)
1991	9,719 (22.9)	12,675 (29.9)
1992	6,721 (22.9)	10,075 (23.3)
Finance and Leasing Association figures		
1992	7,376 (17.1)	11,808 (27.3)

The ratios for 1992 are subject to amendment in the light of possible later revisions of official statistics for aggregate investment

Sources: Central Statistical Office and Finance & Leasing Association

Consumer finance: new lending 1991-92



Source: Finance and Leasing Association

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FT 500	January 20 1994
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International Hotels	March 25 1994
Pharmaceuticals	April 5 1994

ALL THESE DATES ARE PROVISIONAL

Robert Alldis finds that companies are now being made more aware of the industry

Big ticket players take the risks

FINANCE directors of small and medium sized companies are not fully aware of the benefits of leasing, believes Mr Tony Mallin, chairman of the Finance and Leasing Association and vice-chairman of Hambros Bank.

The FLA reckons leasing and hire purchase represents around 23 per cent of total investment in fixed plant and machinery. But the association is now working hard to make companies more aware of its industry.

The FLA is currently circulating, through Department of Trade and Industry sponsored outlets, information on the benefits of leasing. But more can still be known – so what can finance and leasing companies do and offer?

The major league ("big ticket") players are led by Lombard North Central, part of the National Westminster Bank group. Mr Peter Torrance, its director of marketing of business finance, estimates his company's asset base is worth around £8bn. But though Lombard North is big – and with the largest leasing sales force in the UK – Mr Torrance emphasises the value of maintaining a specialised and customer-based service: "Nearly all our work is done direct, face-to-face and we do relatively little via brokers. We see our strength as coming from the specialist coverage offered by our sales force."

Lombard North offers customers a full range of lease/purchase packages (currently it helps finance a wide number of specialist contract hire services including vehicle hire, fork-lift truck hire and PC systems hire). But on the finance leasing side and bigger ticket deals, the size of Lombard North's asset base means that it has a tax capacity big enough to enable clients to get their tax allowances early.

More recently, Lombard North has linked up with GATX (Asset Residual Management) – an UK offshoot of GATX of the US – to help companies lay off their residual risk profile. Mr Torrance explains: "In car contract hire for example, you are providing not just the finance, but also the ordering of the vehicle, servicing and maintenance and so on. But at the end of the contract, the car is returned, and the contracting company now has to get rid of it either at a profit, break-even or loss."

The size of its asset base enables clients to get tax allowances early

If the lessor, when initially negotiating the contract, overestimates the value of the car at the end of the contractual period, he or she will be out of pocket. The accuracy (or otherwise) of the estimate is the lessor's "residual risk".

As such estimates are difficult in nearly all but a few sectors where there is sufficient volume or a healthy second-hand market (such as motor cars and some printing products), leasing companies are reluctant to take on that risk profile. So, Lombard North Central and GATX are now offering residual risk guarantees to lessors as a form of insurance. Mr Torrance says that this should eventually make it easier for leasing companies to extend their product leasing portfolios into new sectors.

At Barclays Mercantile Business Finance (BMBF), Mr John Callender, the managing director, estimates his risk profile is worth around £250m out of an overall small-ticket portfolio of £1.5bn. The bank arranges for this risk to be taken on either by itself or by a third party. BMBF also has 50 per cent of the agricultural leasing market through its Highland business, which, including its big ticket operations, brings the total portfolio nearer £5bn.

As a big ticket finance company, "BMBF is one of the few leasing businesses that focuses entirely on the corporate market," Mr Callender says. Like London North, he is aware of the need to be conscious of his client's needs: "Our principal aim is to get closer to the customer and structure the lease accordingly."

Leasing companies are therefore tetchy when accused of offering an inflexible package which will tie a client into an investment (echoed by dubious practices in the photocopier leasing market) that he or she has not really thought through.

Rather, leasing companies – by developing sales forces – reflect the specific requirements of the client. "The lessor can structure the risk on the residual so it is shared, with the risk on credit being taken by the financier," says Hambros' Mr Mallin. Leasing companies now offer a tailor-made product which includes all elements of its services to the client in a single deal. But this does not mean you have to be big to offer a flexible product.

They are tetchy when accused of offering an inflexible package

ING Lease (UK) is one of a number of foreign leasing companies operating in Britain. ING's basic product area is in the block discount market, explains Mr Roy Royer, senior manager in charge of its market department in London. The company is run separately from ING Bank's London operations, reporting directly to Amsterdam.

ING Lease opened its doors in London three years ago and has built the size of its UK portfolio to around £260m pounds. Mr Royer says his company's leasing business now covers the UK, with most of its clients coming through referral by intermediaries, vendors or other banks. As they are not restricted to a set package or rate charge, ING's 33-strong asset finance team (all skilled in every part of the leasing deal) can perhaps offer a total and less bureaucratic service than a big UK leasing company.

But foreign banks are unlikely ever to become big players in the UK finance and leasing market since, says a lessor at another foreign bank: "To have the UK tax capacity, the lessor has to be incorporated there."

However, it is not just the banks that are making the running in the leasing market; a number of manufacturing companies have also set up their own leasing operations to help sell their product.

Two leaders major players have been Kodak and Rank Xerox. Both offer captive lease products and avoid using any dealer network in the niche photocopier market. According to Mr David Melville, manager of Kodak Finance, his leasing book is now worth around £50m since it started finance leasing in 1989. And like Kodak, Rank Xerox is offering a range of packages from straight rental, cost per copy to lease/purchase. Mr Roger [illegible], general manager at Rank Xerox Finance, estimates that 80 per cent of his sales are now financed through leasing.

Similar growth in the captive leasing market has also been happening in the automobile sector. Mercedes-Benz Finance, for instance, since it started operations in late [illegible], now finances one in four of its passenger car and commercial vehicle registrations.

But more immediate is the November 30 Autumn Statement, and Mr Mallin has his own list of proposals for the chancellor:

- Relax the restrictive legislation on export leasing to enable lessors to lease offshore. He believes the Inland Revenue's current legislation was "a sledgehammer to crack a nut" – is it was far too restrictive. The FLA has now made several proposals aimed at preventing leakage but also leave room for UK institutions to set up leasing agreements with overseas customers.
- Deregulation to be [illegible] in the financial market because restrictive [illegible] in the corporate sector had a "dampening" effect on the growth of the leasing industry.
- Allowances for research and development would [illegible] helpful", Mr Mallin says. They are already allowed [illegible] scientific research, but [illegible] medium-sized companies lack the tax base to [illegible] costs of R&D.
- To continue the 25 per cent tax allowance, and consider "an enhanced incentive package for manufacturing industry".

Robert Alldis

■ THE LEASING PROFESSIONALS

Where bankers fear to tread

THE UK leasing industry has turned into a highly professional and entrepreneurial operation.

It thrived on the financial deregulation of the 1980s and has adopted innovative practices developed in the US leasing market.

Since the merger of the Finance House and the Equipment Leasing Associations at the start of 1993, the full membership of the new Finance Leasing Association (FLA) is 106, accounting for around 80 per cent of all leasing companies.

Mr Tony Mallin, chairman of the FLA and vice-chairman of Hambros Bank, believes that, for small and medium sized companies coming out of recession, leasing offers a cheap and stable form of asset finance. "Leasing is one of the few forms of finance that is fixed to the total cost of the asset and covers a reasonable period of time," he says.

Banks would rarely lend small companies funds for 100 per cent of the asset value, over say, a five-year period. But the leasing industry specialised in doing this for the full working life of the asset, he said. When the going got tough for a small company, a bank could quickly call in the overdraft, and put it into receivership. But, says Mr Mallin, "we are committed for the life of the project."

"You will always get fringe operators who indulge in excesses"

Mr Mallin has seen the business change dramatically in the last 15 years. In 1978, he joined the leasing department at Hambros Bank as a member of its marketing and business development operations. In 1981, he moved to Australia to develop an asset finance and leasing unit in Sydney, and worked on the last leverage lease in the country – a Boeing 747 leased to Cathay Pacific.

By 1985, he was back in the UK and was made managing director of Hambros Leasing. And by 1991 he was made vice chairman of the bank and in May 1993 chairman of the FLA.

"The industry is moving towards service-oriented financing," he says. Previously (in the period of 100 per cent capital allowances) it was mostly passive finance. The loss of the full tax allowance made lessors far more proactive in taking on residual risk. Now they were "embracing service into the financing of an asset".

The industry's best years were in the mid-1980s despite sombre forecasts that the industry would never recover from the loss of the full allowance. Mr David Melville, managing director at Kodak Finance, agrees: "I remember seminars then with people saying that this would be the end of leasing as the tax-based incentives weren't there. But, instead we went into our boom years."

As the economy turns, the professional lessors are confident that they are best placed to re-equip the small and medium-sized manufacturers costeffectively. According to Mr John Callender, managing director of Barclays Mercantile Business Finance, "the middle business market is a very important area for us ... Demand, though not storming ahead, has picked up a little bit mainly in the north, north-west and the midlands."

Kodak's Mr Melville goes further, saying that if the UK did not have a leasing industry, "it would be in serious difficulties in respect to the amount of investment, as banks have not been prepared to lend to small or medium-sized businesses to the extent necessary".

All the professionals, however, have been chilled by the experience of questionable practices in the photocopier market and recognise it has tarnished – unfairly they say – their image.

"In the financing market you will always get fringe operators who will indulge in excesses. But the job of the industry is to regulate itself. Once we are aware of the problem it will be dealt with efficiently," says Mr Mallin. The FLA has now set up an independent tribunal and conciliation service to hear complaints against its members. If the member is found to have breached the guidelines, the FLA will revoke its membership.

Recent proposals by the Accounting Standards Committee to decide which leases are included on the balance sheet are also a bone of contention among professionals. And pointing to the failures of operating leasing companies such as Atlantic Computers, Blackspur, ICS and GPA, Mr Mallin says the real problem lay with income recognition and not whether the lease was on or off-balance sheet. "If the accountancy profession starts to put stringent rules on leases, this will cause banks and financial institutions to rein back just at the time when the economy is picking up," he warns.

For the future, the leasing professionals are watching developments in the public sector privatisation. They want their share of the action – but know that, despite promises, the government has so far been slow to act. British Rail privatisation still remains fraught with difficulties. Many professionals are worried by how the government is going to help ease any "sweat points" that arise from a change in franchisee. "Everyone would like to see it work, but I think there are still a number of issues to be ironed out," says Mr Peter Torrance, director of marketing of business finance at Lombard North Central.

A Boeing 747 can feature in a leverage lease, but now the industry is focusing on service-oriented financing

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